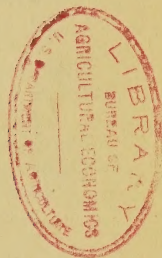


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PRELIMINARY REPORT WITH RESPECT TO PROCESSOR-GROWER
RELATIONS IN THE U. S. SUGAR
BEET INDUSTRY



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IN THE UNITED STATES BEET SUGAR INDUSTRY

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PRELIMINARY REPORT WITH RESPECT TO PROCESSOR-GROWER RELATIONS
IN THE U. S. SUGAR BEET INDUSTRY

INTRODUCTION

Section 511 of the Sugar Act of 1937 provides as follows:

"In order to facilitate the effectuation of the purposes of this Act, the Secretary is authorized to make surveys, investigations, including the holding of public hearings, and to make recommendations with respect to (a) the terms and conditions of contracts between the producers and processors of sugar beets and sugarcane and (b) the terms and conditions of contracts between laborers and producers of sugar beets and sugarcane."

Representatives of numerous associations of sugar beet producers, as well as individual growers, have requested that investigations and recommendations as authorized in this section of the Sugar Act be made. Public hearings at which information was requested with respect to the terms and conditions of contracts between producers and processors of sugar beets have been held in 1938 and 1939. In 1938 hearings were held in Sacramento, and Los Angeles, Salt Lake City, Pocatello, Pueblo, Greeley, Scottsbluff, Billings, St. Paul, Milwaukee, Saginaw, and Toledo. In 1939 hearings were held in Detroit, Minneapolis, Billings, Seattle, Salt Lake City, Denver, and Scottsbluff. Testimony was offered by individual growers, by representatives of growers' marketing associations and by a number of processors relative to the issues raised by the agreements under which the crop is marketed.

The following preliminary report is made pursuant to the foregoing provisions of the Sugar Act.

During 1938 sugar beets were produced in 22 states for processing into sugar by 87 factories located in 17 states. The following table indicates for the ten year period ending in 1938 the acreage annually produced in important sugar beet producing areas:*

* Tables showing production, yield per acre, etc. are appended as Exhibit 1.

TABLE I
HARVESTED ACREAGE (1,000 ACRES)

<u>Area</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>
Ohio	20	1/	1/	26	42	39	50	28	25	50
Michigan	52	74	58	122	154	117	114	98	76	123
Nebraska	92	81	65	66	88	60	51	68	63	77
Montana	38	45	54	54	68	64	51	60	70	78
Idaho	48	44	33	53	75	34	51	52	51	73
Wyoming	47	46	49	40	52	42	40	44	47	54
Colorado	210	242	224	156	209	169	140	171	160	137
Utah	45	44	49	56	74	32	41	36	46	52
California	46	65	89	104	108	110	116	139	132	157
Other States 2/	90	134	92	87	113	103	109	80	82	130
United States	688	755	713	764	983	770	763	776	752	931

Source: "Agricultural Statistics".

1/ Included with "Other States".

2/ Includes Indiana, Illinois, Minnesota, Iowa, North Dakota, Wisconsin, Washington, Oregon and Nevada for all years except 1930 and 1931 when Ohio is also included.

These data make it clear that the acreage annually devoted to sugar beets is subject to wide variation from year to year, more noticeably in states in the humid area and that there has been a pronounced downward trend in the Colorado area and a decided upward movement in California and Montana. It is too early to state whether the apparent downward trend in sugar beet acreage in the Colorado area is the result of "overfarming" of beets or other causes. This area has been notable in recent years for the intensity of controversy between growers and processors.

I. REVIEW OF PRIOR GOVERNMENTAL ACTIVITIES RELATIVE TO SUGAR BEET CONTRACTS

In response to complaints on the part of farmers that they were not receiving fair prices for sugar beets, the Commissioner of Corporations, at the direction of the Secretary of Commerce, began an investigation of the sugar beet industry covering the years 1909 to 1914. That report dealt chiefly with the costs and profits of growing sugar beets, the cost of manufacturing and marketing beet sugar, the profits in the manufacture of beet sugar and the relations between sugar beet growers and beet sugar manufacturers. The study concluded with the following statements:

"The beet grower often complains that he does not receive a fair price for his beets. The sugar manufacturer replies that the farmer makes as much or more money on his beets as he does on any other crop. This is probably, in the main, true. The farmer rejoins with the assertion that the manufacturer makes large profits extracting sugar from beets and that he can afford to pay more for them than he does pay. This also is sometimes

true. It is thus seen that the manufacturer applies one test as to the fairness of the price and the beet grower applies another. The contention of the grower that the large profits of the manufacturer would often enable him to pay a higher price than he does pay implies the idea of cooperation. If the profits of a manufacturer are a fair criterion for the establishment of the price of beets, then the grower should be willing always to accept a price low enough to enable the manufacturer to realize a profit. In other words, on this basis of establishing the price of beets, when the sugar business is prosperous the beet grower would receive a high price. If this system of determining prices had been employed in the past the farmers supplying a number of factories would have received a very much lower price for beets than they have received. On the other hand, the farmers in the vicinity of other factories would have received a very much higher price. Some factories have never made much money and have often lost large sums. If the farmers had shared these losses, the results of their beet growing operations would have been disastrous.

"With a fixed price for beets the intelligent, industrious farmer is generally assured a fair return for his efforts. As soon as he harvests his beets he knows precisely what he has made. This advantage of certainty is unquestionably worth considering. If the price of beets depended absolutely upon the vicissitudes of the sugar market it is doubtful whether any considerable number of farmers would be willing to engage in this branch of agriculture. Upon the whole, therefore, it would seem that the principle involved in the present system of determining prices of beets is the more advantageous to the beet grower. This system, however, might be more equitable by basing the fixed price more nearly upon the sugar content and purity of beets. The sugar manufacturer knows the relative value of beets of different tests, and he should be willing to pay a price that will place all farmers upon an equal basis. It is manifestly inequitable to fix a flat price for beets based upon a range of sugar content embracing as much as 2 or 3 percent. If the farmer who grows 12 percent beets is entitled to a given amount, say \$4.50 per ton, then beets testing 13, 14, or 15 percent are worth proportionally more and should be paid for on that basis. On the other hand, if the base price is fixed on a sugar content of, say, 15 percent, then the farmer's beets which test below this are not worth as much as the basis price and he should not expect to receive that price for them.

"THE REASONABLENESS OF BASING THE PRICE OF BEETS UPON THE PRICE OF SUGAR. -- As already pointed out, the terms of some beet contracts made in 1915 provided for a minimum price for beets and an addition to that price in case the price of sugar should be above a certain figure. Such a basis for determining the price of beets deserved careful consideration. The fixing of the price of a raw material a year in advance of the time when the value of the manufactured product can be determined involves considerable speculative risk.

"If it is practicable to base the price of beets upon the price of sugar, such a system would appear to be entirely reasonable and fair. Under such circumstances the beet grower would be

assured of all his beets are worth, and the manufacturer would in no case be compelled to pay more than the price of sugar would warrant. It would seem much more reasonable to determine the price of beets upon this basis than upon the basis of the profits of the manufacturer. It is realized that there would be some difficulty in determining the proper relation between the price of sugar in the beet and the manufactured product. If the price of beets could be determined upon some such basis, it would at least tend to eliminate the controversies that are now so frequent between the beet growers and beet sugar manufacturers with respect to the price of beets. Whether determining prices for beets on such a basis would discourage their cultivation is a question which only experience could answer." 1/

During the period covered by the report and prior to the publication thereof, a number of contracts, in which recognition was given to the sucrose content of the beets, were developed. In a few instances, contracts giving recognition to the price of sugar as a factor in establishing the price of beets were also developed.

Early in the history of the Food Administration 2/ during the World War it developed, however, that the beet farmers, because they felt themselves unjustly treated with regard to price, were refusing to sign the customary contracts. Moreover, their costs of production were mounting and other crops which compete for use of the land were becoming more attractive. Local commissions were therefore appointed to investigate costs of production and beet-sugar companies were urged to abide by the decisions of these commissions.

The commissions summoned witnesses, conducted examinations, and submitted reports. The Colorado and Nebraska commissions recommended that farmers be paid, in view of the War situation, a basic price of about \$10.00 per ton of beets while the California Commission recommended a basic price of \$8.25, with differentials for higher and lower grade beets. The beet sugar factories generally abided by the decisions of these Commissions.

The terms and conditions under which sugar beets were purchased did not again become a matter of government concern until the spring of 1934. On April 28, 1934 while the Jones-Costigan Sugar Act was still pending before Congress, a conference between representatives of some sugar beet growers' organizations and beet sugar processors was held in Chicago. An unsuccessful attempt was made at that time to revise the terms of the purchase agreement which had been in use during the immediately preceding years. The Agricultural Adjustment Administration then

1/ Report on the Beet Sugar Industry in the United States, Federal Trade Commission, 1917, p. 163.

2/ See Government Control of Sugar. MacMillan & Co., 1920. Also Prices of Sugar and Related Products. War Industries Board Price Bulletin No. 13.

announced that under authority contained in the Agricultural Adjustment Act as amended by the Jones-Costigan Act, a production adjustment contract, guaranteeing a return equal to "parity" as defined in the Act, would be inaugurated. It was also announced that a study of the terms and conditions of the agreements under which sugar beets were purchased, would be undertaken under Section 8 (a) (3) 1/ of the Jones-Costigan legislation.

It should be noted that the Jones-Costigan Sugar Act created a general control structure which included the imposition of a tax at the rate of 50 cents per hundred pounds of sugar, raw value, the establishment of marketing quotas, and under authority granted by the Agricultural Adjustment Act, power to contract directly with farmers for acreage control and authority to make benefit payments. At the same time the tariff on sugar was reduced, first by 50 cents per cwt., raw value, under the Tariff Act, and later in the case of Cuba, by an additional 60 cents under the Reciprocal Trade Agreement with Cuba.

For several years preceding 1932, sugar beets had been purchased under agreements which provided for a minimum guaranteed payment per ton of sugar beets plus participation on the part of growers in the event sugar prices exceeded certain levels. With the decline in sugar prices which occurred during the period following 1927 and 1928, the processing companies found themselves faced by large losses, particularly on the 1930 and 1931 crops. As a result, the minimum guarantee was omitted from the contracts thereafter and the returns to producers declined substantially.

1/
Sec.8(a) (3) "In order more fully to effectuate the declared policy of this Act, as set forth in its declaration of policy, and to insure the equitable division between producers and/or growers and/or the processors of sugar beets or sugarcane of any of the proceeds which may be derived from the growing, processing and/or marketing of such sugar beets or sugarcane, and the processing and/or marketing of the products and by-products thereof, all agreements authorized by this Act relating to sugar beets, sugarcane, or the products thereof may contain provisions which will limit or regulate child labor, and will fix minimum wages for workers or growers employed by the producers and/or processors of sugar beets and/or sugarcane who are parties to such agreements; and the Secretary, upon the request of any producer, or grower, or worker, or of any association of producers, or growers, or workers, or of any processor, of sugar beets or sugarcane, is hereby authorized to adjudicate any dispute as to any of the terms under which sugar beets or sugarcane are grown or are to be grown and/or marketed, and the sugar and by-products thereof are to be marketed. The decision and any determination of the Secretary shall be final."

In the spring of 1935 the growers' associations in the so-called Holly Sugar Corporation and Great Western Sugar Company territories of Colorado, Nebraska, Wyoming, and Montana were unable to reach an agreement with the processing companies named above. At the request of the Mountain States Beet Growers' Association, Nebraska Non-Stock Cooperative Beet Growers' Association, Montana-Wyoming Beet Growers' Association, and the Goshen County Beet Growers Association, the Department of Agriculture offered its services as a mediator.

In an attempt to mediate the controversy, a conference between representatives of interested grower organizations and processors, lasting from March 13 through March 16, 1935, was called in Washington. At the meetings the companies represented expressed a willingness to offer the contract which had been in use during the two preceding years, whereas the representatives of the growers expressed a preference for an agreement under which they would receive fifty percent of the net proceeds realized from the sale of sugar, pulp, and molasses, or as an alternative thereto, a modernization of the statistical data upon which the contract for the previous year was purportedly based.

An agreement was not reached at the conferences. In the absence of an agreement, it was deemed advisable that a statement of opinion be made. Consequently, without reviewing the equitableness of the principles upon which the contracts at issue was founded, a finding was published by the Department of Agriculture. 1/

Under the recommended schedule which was adopted the returns of growers directly involved were increased for the 1935 crop year by approximately three-fourths of a million dollars. In other areas, largely as a result of the finding, changes favorable to growers were also made in 1935 and 1936.

The problem of a fair and equitable distribution of the income available from the sugar beet industry again became acute in 1936 following the invalidation of the processing tax and production adjustment features of the Agricultural Adjustment Act. It was clear that if the 1935 contracts between processors and growers were equitable when supplemented by the tax and benefit payment program, the contracts for 1936, in the absence of the benefit program and tax structure but in the presence of the quota structure, would not be equitable unless all payments were scaled upward to the extent of approximately 50 per cent of the amount of the former tax or unless a new and similar system of taxes and payments were adopted. In a communication to Senator Pat Harrison, Chairman of the Senate Finance Committee, recommending that new legislation similar to the Jones-Costigan legislation be adopted, the Secretary of Agriculture made the following statement: 2/

1/ See Exhibit 2.

2/ For complete text, see Exhibit 3.

"It will be noted from Appendix I, attached, that at the March and April price level for raw cane sugars and without a processing tax on sugar, unless there is a simultaneous discontinuance of the quota system, the growers' share of the sum of the net return from the sale of beet sugar and government payments to producers would be reduced from 55.2% of the total in 1934 and 54% in 1935 to 51.6% for the 1936 crop. The processors' share would be increased from 44.8% in 1934 and 46% in 1935 to about 48% for the 1936 crop. It is then estimated that, without the tax at the rate suggested, the net income of the processors, expressed as a percentage of their stated capital and surplus, would increase from 8.5% in 1934 to between 12 and 16% in 1936, whereas the estimated return with such a tax in effect would be between 8 and 10%.

"In summary, if the excise tax on sugar is not put into effect and the quota system is continued, the Government's revenues would be curtailed as indicated above at the same time as the returns of processors would be increased to between 12 and 16% of their stated capital and surplus."

Legislation, pursuant to these recommendations was not enacted at that time. A series of conferences were held between representatives of the Department of Agriculture and of grower organizations late in 1936 and early in 1937 for the purpose of assisting sugar beet producers and processors in the development of a more equitable contract. In these conferences, schedules of sugar beet prices which would return to the grower an income equal to that which he would have secured if the tax and payment structure had been continued, were prepared.

It was assumed that the gross level of income would be controlled by quota regulations. Processors who attended the conferences were unwilling to change the relationship between the "net proceeds" from the sale of beet sugar and the price of sugar beets to give recognition to this principle which would have resulted in a redistribution of income more favorable to the grower. Subsequently legislation was enacted (Sugar Act of 1937) embodying a tax and conditional payment structure as a complement to the quota regulation which had been in effect during 1936. In explaining the legislation the Secretary of Agriculture stated:

"The decision of the United States Supreme Court in the Hoosac Mills case on January 6, 1936, invalidated the processing tax and production adjustment payments and left in effect only the quotas. The invalidation of the tax presumably did not affect the cost of sugar to consumers, who paid an average price of 5.7 cents for sugar in 1935 and 5.6 cents during 1936. The decision resulted, however, in a wide redistribution of income under the quota system: There was a loss to growers, laborers, and taxpayers; and a corresponding gain to domestic sugar processors and foreign sugar producers.

"The loss to sugar beet growers that resulted automatically, under the established grower-processor contracts, from invalidation of the former processing tax and production adjustment

payments, was equal to approximately 50 percent of the former tax. (The decline in the income of growers was offset to some extent by payments under the 1936 Agricultural Conservation Program). It is estimated that at the same time the profits of beet processors were increased between 40 and 60 percent over their net income from operations during the calendar year 1935 when the processing tax was in effect. Sugar beet growers whose returns had been decreased, although the total income of the sugar beet industry, virtually had not been affected, undertook to obtain an appropriate adjustment in their contracts with processors to compensate for the reduction in their income, but their efforts were of only limited success."

II. GENERAL ECONOMIC CHARACTERISTICS OF THE BEET SUGAR INDUSTRY AFFECTING THE PROCESSOR-GROWER RELATIONSHIP

Unlike most agricultural commodities, the sugar beet crop is not sold in central markets, but is produced and sold pursuant to the terms of purchase agreements entered into between the producer and processor at a date prior to the normal planting season. The processor has apparently found the use of contracts necessary to insure an adequate supply of sugar beets while the grower has found it desirable in order that he may have a certain market at a predetermined price basis. In addition, the grower values the protection with respect to methods of tare analysis, sucrose analysis, weights and similar factors afforded by specific contractual provisions.

The sugar from a crop of sugar beets planted in the spring of any year is extracted in the fall of the same year. However, ordinarily approximately 75% to 80% of the sugar produced in the fall and winter is sold during the next calendar year. Consequently the average price which is realized from the sale of the sugar produced from a particular crop of beets is not known until about eighteen months after the contract for the production of the crop is made.

The sugar beet crop is both bulky and semi-perishable so that it cannot be transported for long distances nor can it be stored cheaply and safely for long intervals of time. For these reasons the only market available to the producer is ordinarily the plant of a single buyer. Because of the perishable nature of the crop, the typical factory seldom operates for more than 90 days a year. Furthermore, the initial outlay necessary for the construction of a processing plant is so great that the duplication of facilities within a single territory is uneconomic. Any inadequacy of raw material supplies resulting from over-building of processing facilities or other causes tends to reduce the annual period of operation thereby increasing the unit cost of manufacture substantially.

As the cost of construction of a sugar beet plant is great, and the volume of business is very important, plants which compete for beets in the same agricultural district are seldom built. For this reason the processor usually has, in some degree, a buyer's monopoly within his local territory. This does not mean that he is not faced by competition

in other forms. If the enterprise is financially successful, other processors construct sugar beet plants at other locations and compete for sales in the sugar market, thereby tending to lower the receipts from the sale of sugar. Furthermore, if the processor is to secure an adequate volume of sugar beets, the producer must secure a return from his beets somewhat in excess of that offered by alternative crops.

Largely because of the semi-monopolistic nature of the processing business, the price terms of the purchase agreement have been the greatest cause of controversy between the grower and processor. It is obvious that the processor must pay a price which will afford a return to the grower sufficient to induce the grower to bear the special burdens which go with sugar beet production and afford a return at least as great as that available from the production of other commodities. However, if the public protection afforded the industry is in excess of that afforded other crops, the processor may, if his bargaining powers were sufficient, through the terms of the purchase agreement, secure for himself at least temporarily any excess profit that may exist under the level of protection in effect at any particular time. In some instances, exceedingly large surpluses have been accumulated over a period of years. Of course, the construction of new mills which compete for the market tends, as time passes, to equalize the position of the processors as a group and eliminate any monopoly gains which may exist at any moment, although individual processors, as already stated have in some instances accumulated large surpluses. Conversely, if the protection afforded the industry is inadequate to cover total costs and alternative crops are sufficiently attractive, processors may be forced to assume losses and in the past many large losses have been incurred by some processors.

At the present time associations of growers organized for the purpose of collective action bargain as a unit for their individual members. These organizations apparently enjoy varying degrees of bargaining strength depending upon the nature of the local laws governing cooperative marketing associations, the composition of the membership, and other factors.

One other feature of the industry which is perhaps responsible for a great part of controversy over processor-grower relationships is the extreme dependence of the sugar beet industry upon public protection in some form. The degree of this protection has become relatively large in the last decade as the result of the fall in the world price of sugar. Growers feel that the public protection, the burden of which consumers bear in the price of sugar and the producers of exportable commodities bear in the loss of foreign markets, is maintained primarily for the benefit of the growers and laborers, and profits for processors above a necessary rate of return to maintain the plants is unjustified. On the other hand, some sugar beet processors feel that tariff and quota protection is intended for them as well as for the other manufacturers who enjoy public subsidies, and that the very risk of dependence upon government protection calls for the establishment of reserves to meet conditions which may arise through unfavorable legislation or other causes which would make it impossible for a processor to continue in operation without such reserves.

(a) METHOD OF BARGAINING FOR THE SALE OF SUGAR BEETS

The sugar beet producers have, in most parts of the country, organized cooperative marketing associations under state statutes. Under the typical membership agreement ^{1/} the producer appoints the association sole agent for the purpose of marketing or negotiating a contract for the sale of all sugar beets grown or harvested on lands owned or operated or leased by the member or his tenants. Generally, a clause under which the producer is released from the agreement in the event a contract is not negotiated prior to a date specified in the agreement is provided. In some instances the release is only partial in that the grower agrees to plant an acreage not in excess of 60 percent of normal or some similarly established figure in the event an approved contract is not negotiated. The normal acreage for purposes of this restriction is generally defined as an acreage not in excess of 25 percent of the cultivable land on the farm, although in some instances this figure is established at 50 percent of the cultivable land. The association can also release growers from the force of all of the provisions of their membership agreement if such action appears desirable.

Generally the grower has full freedom in all matters pertaining to the production of the crop. The possibility of the growers' associations entering into collective agreements with respect to the terms and conditions of labor contracts is thereby forestalled.

In a number of instances a specific objective is set forth in the membership agreement. A frequent objective is the attainment of a price equivalent to not less than one-half of the net value of the sugar and by-products from a ton of sugar beets.

Most of the association membership agreements run for a period of ten years. The grower, however, reserves the right to withdraw from the association by notification in writing at certain seasons of the year. A number of agreements provide that a three-year contract of sale may be negotiated. This provision apparently has not been used in any instance which has been brought to our attention.

In the event a grower negotiates a contract independently of the association, liquidating damages, usually in the amount of \$1.00 per ton of sugar beets, are frequently provided for.

The member agrees to share in the expenses of the association, a top figure of 3 cents per ton of sugar beets ordinarily being stated in the contract of agreement. The funds are to be expended for the benefit of the grower and appear to be allotted in part to the next larger units or organization, the basic organization in each instance being a factory district joined in the form of a federation with a larger bargaining area. Quite generally the larger area served by a processor tends to negotiate the purchase agreements although the right of bargaining on a factory district basis is quite frequently reserved to the local association.

^{1/} Copies of typical membership agreements are appended as Exhibit 4.

The bargaining strength of the cooperative association, as is obvious, is founded upon its control of the volume of sugar beets which may be produced under the membership agreement and is effective only in the event that a major portion of the growers in any area are members of the association. Economic conditions of agriculture act always as a limiting force. If prices of alternative crops are exceedingly low, the ability of the association to secure high prices for sugar beets may be substantially limited.

The various associations follow differing policies with respect to the approval of purchase agreements. If the association feels that the purchase contract is satisfactory it is approved and notice of approval appears on the contract itself. In other instances, in lieu of approval, the association accepts the contract. In the event the association feels the contract to be somewhat unfair but nevertheless the best which can be secured in the circumstances, the membership may be released for independent contracting. Under these circumstances the penalties which could be invoked under the membership agreement are not brought into play. The association may reject the contract offered by the sugar beet processor, in which case the producer is free to contract for acreage, or, depending upon his agreement, for an acreage equal to 60 percent of his normal base acreage, the base acreage being equal to 25 percent of his cultivable land. This of course represents the most severe type of discipline which may be employed in bargaining. Few of the associations appear to have experimented with a reversal of the usual procedure by having the growers develop and offer the processor a form of contract.

(b) EUROPEAN EXPERIENCE

The sugar beet industry of Europe has existed for a long period of time and through the years has developed methods of meeting the problems associated with price determinations in the case of their protected sugar industries.^{1/} In general, it may be said that prices for sugar beets and sugar are established either by decree or by methods similar to those employed in this country. In those countries in which prices are not

^{1/} It should probably be noted that systems of quota control are almost universal throughout Europe. In addition tariff devices, monopolies and direct bounties are employed. A differential amount of protection is not unusual, a domestic quota at a high rate with import prohibitions and an export quota enjoying only nominal protection represent a characteristic system. In practically all instances controls are in terms of or are converted into acreages of sugar beets. Apparently for this reason, many European purchase agreements provide for liquidating damages in the event a grower does not plant an acreage equal to that allotted him.

authoritatively determined growers are ordinarily associated into marketing groups which bargain collectively with the processors. The processors are also organized into similar bargaining groups. In these instances the prices arrived at are, as is the case of the industry in the United States, generally not pre-determined, but are based upon the price of sugar and the quality of the sugar beet.

In those areas in which prices for sugar beets and beet sugar are authoritatively established, that is established by government decree, the agreements under which sugar beets are purchased place a great deal of emphasis upon shares in the by-products. This appears to be the only field remaining in these instances for the exercise of bargaining. Ordinarily the grower is given the right to receive a quantity of pulp, or pulp and molasses, equal in weight to a fixed percentage of the net weight of the sugar beets delivered by him, sometimes free, sometimes at a preferential price.

In those instances in which prices are not authoritatively controlled, the price of sugar beets is related not to the "net return" realized from the sale of sugar, but to the price of sugar either in raw form or as refined crystals. The formulae used ordinarily reflect the price of a stated quality of sugar on a certain market for an established interval of time, with premiums and discounts to give recognition to the sucrose quality of the beets. Even when authoritative prices are employed the sucrose content is frequently recognized by premiums and discounts.

A unique feature found in the contracts in use in Poland and So. Germany is the provision for additions to the price paid growers in the event the profits of the processor exceed certain levels.

Basically, the contracts are identical with those in use in the United States except for the greater emphasis placed upon by-products. The non-authoritarian agreements are arrived at through bargaining between representatives of organized groups of growers and processors.

In England the price to be paid is, in the absence of agreement between processors and producers, established by a Sugar Commission; and in Sweden, in return for a monopoly in the sale of sugar, the Sugar Trust agrees to pay certain prices and the farmer agrees to maintain a stated level of wages. In Germany prices have been set by decree. In fact, a commentator stated: "There is no contract for beets in Germany for 1935. Contracts have become useless, the new legal organization of the German sugar industry permitting the President of the central Federation of the German Sugar Industry to control directly by order the prices and conditions of delivery as well as the quota of surface to plant and of beets to deliver for each grower." 1/

III. RECENT TRENDS IN PROCESSOR-GROWER CONTRACTS

The contracts under which sugar beets were purchased during the early days of the industry provided for a fixed payment at a flat rate

1/ Ninth International Congress of Beet Growers - Bologna, 1935, Report of De M. Archard.

per ton. No direct attention was paid in the agreements to the sucrose content of the beets, to their purity, nor to the price of sugar. There appears to have been a gradually growing resentment on the part of producers against this type of contract that resulted in the investigation of the sugar beet industry made by the Federal Trade Commission for the period 1909-1914. During the interval of time covered by the study some recognition was given by a number of processors to the sucrose content of the beet.

The contract which evolved out of the fixed payment contract was one which embodied a fixed payment at a minimum level, say \$4.50 or \$5.00 per ton of sugar beets containing not less than a stipulated quantity of sucrose, ordinarily 14 to 16%. If the sucrose content of the beets exceeded a stated level such as 16% a premium, graduated in accordance with the sugar content, was provided for. The rate of premium was quite variable as between sugar companies.

About the period of the World War growers insisted upon participation in the benefits and risks associating with changes in the level of prices. As a result, contracts giving recognition to both the price of sugar and the sucrose content of sugar beets came into general use. The contracts used during the 20's were generally of this type, providing for a minimum guarantee per ton, variation of price per ton as the quality of the beets varied, and variation in price per ton of beets as the price of sugar varied above certain levels. During the latter part of the 1920's and early in the 1930's the price of sugar declined slowly and steadily with the result that several sugar beet processors were bankrupted and a number suffered severe losses. In consequence the minimum guarantee was dropped and the price paid for sugar beets was made contingent upon two principal factors, namely, sucrose content of the beet and the net proceeds derived from the sale of sugar.

At the time of the elimination of the minimum guarantee from the purchase agreement, the schedule of prices was so altered that in the event the net proceeds derived from the sale of sugar should decline below \$3.25 per hundred pounds there would be an additional deduction of 1% from the base price for each five cent decline below that level. This device tended to place more of the burden of price risk on the producer and less on the processor. Along these lines a change has recently been made under which grower participation is increased at higher levels of price.

In summary, it seems that the risks of price variation have, to a large extent, been shifted from processors, who formerly bore such risks through the guarantee of a minimum first payment, to the producer through the development of payment schedules under which the degree of grower participation in the risks of price change varies with each level of price.

IV. DISTRIBUTION OF THE INCOME FROM SUGAR BEETS

The most controversial issue is the manner in which the income shall be divided between growers and processors. There follow several factors which probably require consideration in this connection.

(a) COSTS OF EXTRACTING SUGAR FROM SUGAR BEETS

Because of the protection required by the domestic sugar industry, as well as the great interest displayed in the subject by beet farmers, the cost of manufacturing beet sugar has aroused great interest. An early investigation of the subject was made by the Federal Trade Commission for the period 1909-1914. Data were not reported in an identical manner with that later followed by the Tariff Commission, so direct comparisons cannot be made.

TABLE II

AVERAGE COST OF PRODUCING 100 POUNDS OF GRANULATED SUGAR, BY STATES, FOR THE FIVE YEARS 1909 - 1910 TO 1913 - 1914

	Calif- ornia	Colorado	Michigan	Montana- Nebraska	Utah-Idaho	Grand Total United States
Beets	\$2.0461	\$2.4737	\$3.1653	\$2.4798	\$2.1359	\$2.5247
Fuel	0.1801	.1621	.2119	.1882	.2305	.1968
Lime rock & lime	0.0848	.0789	.0504	.0521	.0407	.0681
Sugar bags & barrels	0.1182	.1145	.1305	.1178	.1141	.1201
Other supplies	.0646	.0521	.0468	.0546	.0400	.0514
Repairs & main- tenance	.1962	.1673	.1663	.1681	.2088	.1842
Operating labor	.2561	.2558	.2929	.2935	.2588	.2783
Administration & office expense	.1873	.2277	.1658	.2167	.1743	.1980
Insurance & taxes	.0531	.0599	.0559	.0539	.0751	.0590
Stock in process from last year	.9582	.0892	.9483	.0633	.0691	.0695
Total gross factory cost	3.2447	3.6812	4.3341	3.6880	3.3473	3.7531

C R E D I T S:

Stock in process & by-products	.1722	.2043	.3959	.1903	.1733	.2464
Miscel. gains	.0099	.0014 1/	.0048	.0001 1/	.0084	.0026
Net factory cost, not including depreciation	3.0626	3.4784	3.9334	3.4978	3.1656	3.5041
Depreciation	.21	.26	.25	.19	.26	.26
Net factory cost, including depreciation	3.2726	3.7384	4.1834	3.6878	3.4256	3.7641

Source: Federal Trade Commission Report on "The Beet Sugar Industry in the United States."

1/ Net loss to be added to gross factory cost before deducting credit for stock in process and by-products.

The credits for stock in process and for by-products represents a significant value item. It will be noted that these values are greatest in the Lake states, an area in which pulp is of relatively great value. Freight rates, as a rule, have not been such as to permit the shipment of pulp from the far western states to consuming centers where competition with alternative forages is less severe. The factories in the Lake states, on the other hand, have an accessible and profitable market for those products. It should be noted that the cost of beets indicated in this study includes all of the costs incurred in connection with delivery of the crop to the plant. Depreciation was computed at an average rate of 5 percent for purposes of the study. It may be noted that costs were not overstated by including among them an allowance for profits or a return on the investment.

The tariff Commission has investigated the costs of beet processors upon several occasions. The results of their studies are as follows:

TABLE III

COST OF PROCESSING SUGAR BEETS, IN DOLLARS PER CWT.

	1909-14	1916-17	1917-18	1918-19	1919-20	1920-21	1921-22	1922-23	1929-30	1930-31	1931-32	Average 1929-32
Cost of Beets ^{1/}	\$2.508	\$2.654	\$3.397	\$4.504	\$5.394	\$5.418	\$2.915	\$3.372	\$2.564 ^{2/}	\$2.598 ^{2/}	\$2.344 ^{2/}	\$2.502 ^{2/}
Manufacturing Expense	.712	.754	1.057	1.344	1.463	1.701	1.097	1.106				
Repairs & Maintenance	.186	.253	.369	.437	.484	.401	.262	.307				
Administrative Expense	.200	.104	.223	.315	.335	.280	.228	.299				
Collateral Operations												
Affecting Manufactur- ing Costs	.000	.000	.000	.000	.000	.000	.078	.089				
Fixed Charges Excluding Interest	.314	.306	.359	.435	.456	.374	.355	.557	1.476	1.281	1.122	1.293
Total of Above	3.920	4.131	5.405	7.035	8.132	8.174	4.935	5.730	4.040	3.879	3.466	3.795
Credit for Receipts from By-Products	.175	.251	.422	.415	.545	.316	.110	.304	.367	.245	.137	.250
Net Cost, F.O.B. Mill, Excluding Interest	3.745	3.880	4.983	6.620	7.587	7.858	4.825	5.426	3.673	3.634	3.329	3.545
Investment Cost on Basis of 6% Invested Capital ^{2/}	.574	.804	.742	.880	.804	.864	.681	.919	.439	.368	.342	.383
Net Cost, F.O.B. Mill, In- cluding above investment	4.319	4.684	5.725	7.500	8.391	8.722	5.506	6.345	4.112	4.002	3.671	3.928
Number of factories Covered	64	74	87	53	55	52	73	69	66	65	58	
Percent of Total Production Covered by above Data	96	100	98	69	79	63	91	89	93	90	91	

^{1/} Includes cost of company-grown beets, expenditures for purchased beets, expenses of transporting beets to factory, etc.^{2/} Includes borrowed capital and owners' equity.^{3/} Data on basis of cost of production of beets. On basis of price paid for beets these figures would be 3.184; 3.260; 2.440; and 2.961, respectively

(b) PROCESSOR PROFITS. Data with respect to the net income of sugar beet processors for the period 1929-38 have been assembled and expressed as a percentage of the average net worth.

TABLE IV

Income of a Group of Sugar Beet Processors

Year in which fiscal period ended	Net income after taxes	Net income as percentage of average stated net worth	Number of 100 pound bags sugar produced by group	Percentage of total beet sugar processed by companies included
			(Production of prior year's crop except where fiscal and crop years coincide)	
1929	\$6,395,706	4.68	1/	80.00 2/
1930	4,065,037	2.58	19,433,016	97.53
1931	- 9,178,255	- 6.29	22,375,325	96.63
1932	- 7,813,129	- 5.84	22,487,903	94.56
1933	2,430,439	1.85	25,855,989	94.29
1934	13,560,497	11.08	29,094,760	88.45
1935	14,183,136	11.11	22,015,611	94.90
1936	17,242,387 3/	12.91 3/	22,944,474	95.29
1937	15,989,411 3/	12.43 3/	22,098,427	85.53
1938	9,835,783 3/	8.56 3/	19,843,512	75.94

Source: Farr's Manual of Sugar Companies, Moody's Manual, and other sources.

1/ Information not available

2/ Estimated on percentage of production contributed by these companies in other years.

3/ Preliminary.

The comparisons made in the above table are based upon the net equity of the owners, so direct consideration is not given to capital secured through bond issue or direct loan. However, as the object is to show the position of owners, the purpose of the table is accomplished. It will be noted that this industry has in recent years been on an exceedingly profitable basis, although sugar prices have been somewhat below the levels prevailing in the decade of the 20's. It is estimated that the net income of processors for the fiscal year ended in 1939 will be substantially lower than for the period ended in 1938.

The losses for the fiscal years ended in the spring of 1931 and 1932 may be attributed to the fact that the purchase agreements in general use in the immediately preceding crop years provided for a minimum guaranteed price for sugar beets at a time when the price of sugar was declining. With the elimination of the minimum guarantee, the cost of beets, constituting ordinarily about one-half of all expenses, rises and falls with the variations in the return from sugar sales. In other words, since 1932 sugar beets have not been purchased at a pre-determined price, but rather at a rate based upon a relationship, with the risk of variation in sugar prices falling upon both processor and producer, but with special force upon growers, in the event of a "net return" below \$3.25 per bag. In any analysis of the current earning possibilities of processors, consideration should be given to contractual changes which have been made during the interval under discussion. A table is appended hereto as Exhibit 6 comparing the schedules of payment in use in 1933 with those of 1938.

With the passage of the Sugar Act of 1937 a change in the earning position of the sugar beet processor has occurred. The price for refined sugar is determined by the supply of and the demand for the product. Under a quota plan the immediate supply made available to the market is determined by law. The level of price results from the relationship of that supply to the demand situation. The imposition of an excise tax, under these circumstances, reduces the "net proceeds" derived from the sale of the beet sugar by an amount equal to the tax. The amount available to the processor from the market under the established purchase agreements, is therefore reduced in an amount roughly equivalent to the tax, the income which the grower receives from the processor being reduced in an amount equal to approximately one-half of the tax. Although the payment to the producer from the processor declines, the producer receives back a government payment which greatly improves his position. For example, if a quota system were operative which would result in a net return from the sale of beet sugar of \$3.75 per cwt., the producer would receive a return, per ton, under the purchase agreement in use in an important producing area in 1938 of \$5.19 on a 16% sucrose beets. With the imposition of a tax of 53.5 cents per 100 pound bag, the net return would, other things remaining constant, decline to \$3.215 per hundred pounds and the grower would receive from the processor \$4.36 per ton of 16% beets, but, in addition, he would receive a government payment, if the conditions governing the receipt of such payments have been met, of \$1.83 per ton or a total of \$6.19 per ton. In other words, the income of the producer is in these circumstances increased by \$1.00 per ton while that of the processor is reduced by approximately 75 cents per ton of beets processed.

(c) COST OF PRODUCING SUGAR BEETS

The U. S. Tariff Commission has reported the "cost" of growing sugar beets as summarized in the following tabulation. It should be noted, however, that "cost" as computed by the Commission includes an allowance for profit or income on the use of land.

TABLE V

Sugar Beets: United States Average Cost of Production for Specified Years - Land Charge Included

Year	Cost per acre	Credits	Net cost per acre	Yield per acre	Cost per ton	
					Gross	Net
1921	90.19	2.93	87.26	-	8.21	7.95
1922	85.53	3.01	82.52	-	7.58	7.32
1923	90.19	2.99	87.20	-	7.42	7.18
1930	78.76	3.68	75.08	13.90	5.666	5.401
1931	72.69	2.96	69.73	12.36	5.881	5.644

Sources: For 1921-23, Costs of Producing Sugar Beets - Part X - United States Tariff Commission, 1928, Tables 17 and 18.
For 1930-31, Report to the President on Sugar, United States Tariff Commission, Report No. 73, 1934, Table 15.

At hearings recently held in the sugar beet producing areas, associations of producers as well as individuals and corporations presented estimates as well as book record data indicative of the cost of producing sugar beets.

Certain difficulties occur in any analysis of farm costs. Senator E. P. Costigan, while a member of the U. S. Tariff Commission stated, in connection with the use of agricultural costs for certain governmental purposes: 1/

"Practically no statistical or accounting data can be pronounced absolutely accurate. However, the information which is available in industrial accounting is especially dependable because of the great care and the large sums of money devoted to such accounting in the regular course of efficient modern business. Farm accounting is at present more liable than industrial accounting to uncertainties and inaccuracies, partly for the reason that the data secured rest largely upon memory rather than upon reliable records. Moreover, with particular reference to the present investigation, the business of the average sugar-beet farm consists in effect of a number of farm enterprises. This is so because of the complementary character of the various farm costs and farm returns, because they represent a combination of business and family affairs, and finally, because so large a part of the total consists of imputed costs necessitating a large number of appraisements.

"As stated, the commission in the sugar-beet investigation adopted the "enterprise survey." This method of accounting has been generally accepted by farm-management experts in the United States, and the details of its application have been described. For farm-management studies and for comparing conditions in different areas such surveys have value. It is to be borne in

1/ Source: U. S. Tariff Commission, "Costs of Producing Sugar Beets."

mind, however, that their use in determining profits, losses, and absolute costs is open to serious objections, not merely because of the inaccuracies referred to, but also because of the principles of accounting implied in such surveys."

In analyzing cost of production data relative to agricultural crops, it should be noted that the relative profitability of various crops which can be produced in any area is of great importance. Of course, as one crop becomes more profitable than others, it tends to compete for land occupancy. It also tends to increase capital values which in turn tends to again increase costs through the higher associated land values.

(d) COMPARISON OF GROWER AND PROCESSOR INCOME

The division of the total income from the sale of beet sugar between the processor and the grower is of interest. For recent years, it is estimated that the distribution has been as follows:

TABLE VI

Estimated Distribution of Net Proceeds From the Sale of Beet Sugar

Crop: year:	:"Net return":Processor		:Processor		:Government		:Gross Income Per:		:Percentage	
	per 100 lbs.:		payments to:		payments to:		bag		:Distribution	
	of refined		growers per:		growers per:		:		: Returns 5/	
	sugar		: ton of		:100 lbs.re-:100 lbs.re-:		Growers: Pro-		: Grow-:cess-	
	:		:sugar beets:		:finer sugar:		:cessors		:ers : ors	
	:		:		:		:		:(%) (%)	
	1/	2/	3/	4/						
1929	\$ 4.35	\$ 7.08	\$ 2.57		\$ 2.57	\$ 1.78	59	41		
1930	4.07	7.14	2.75		2.75	1.32	68	32		
1931	3.56	5.94	2.08		2.08	1.48	58	42		
1932	3.69	5.26	1.77		1.77	1.92	48	52		
1933	3.67	5.13	1.73	.08	1.81	1.94	48	52		
1934	3.54	5.16	1.68	.57	2.25	1.86	55	45		
1935	4.05	5.76	1.92	.38	2.30	2.13	52	48		
1936	4.25	6.05	2.09		2.09	2.16	49	51		
1937	3.68	5.27	1.79	.64	2.43	1.89	56	44		

1/ S.S. 12. Partly estimated for 1929, 1930 and 1931

2/ Does not include abandonment and deficiency payments, nor payments made under Soil Conservation and Domestic Allotment Act.

3/ Derived from data contained in "Agricultural Statistics."

4/ Derived from data contained in "Agricultural Statistics."

5/ Includes payments other than abandonment and deficiency payments, but does not include by-product values, nor payments under the Soil Conservation & Domestic Allotment Act.

In addition to the gross income here recorded, the grower receives an income from his sugar beet tops and the processor secures valuable by-product returns on pulp and molasses. It will be noted that there have been large changes in absolute income accruing to each of the two groups. The payment which the processor makes to the producer per pound of sugar even for beets of identical sucrose content is influenced to some degree by the purity of the sugar beets he is using as the volume of sugar which may be recovered from pure beets is greater than that from impure beets. If the crop is high in purity the percentage of the sugar available which is extracted is increased and the converse situation also prevails. Changes in the agreement under which sugar beets are purchased are of course most significant.

V. ISSUES OTHER THAN PRICE INVOLVED IN CONTRACTS.

There are appended 1/ as exhibits, illustrative copies of purchase agreements in use in the United States during the 1938 season. It will be noted that the contracts are very comprehensive, setting forth in detail the rights and privileges of each of the contracting parties. The following are illustrative of items subject to some degree of controversy:

A. TYPE OF SEED TO BE USED AND PRICE THEREOF

It is the universal practice among the sugar beet processors to require that the beets be produced from seed supplied by the company. The practice has grown up because of the close similarity of the sugar beet seed to other seeds within the same family group. There have been instances when seed which was purportedly sugar beet seed turned out after planting to be rutabagas and even ordinary household beets. Furthermore, strains adaptable to one portion of the country are not necessarily desirable for other parts of the country. Consequently the companies have felt that it is necessary that they maintain control over the seed to be used. Producers apparently are in general agreement with processors as to the desirability of the practice.

However, as the processor in reality reserves a seller's monopoly by the requirement that only seed furnished by him be used, the price issue is frequently raised. In the hearings recently held throughout the sugar beet areas it appears to have been the opinion of growers that seed should be furnished at cost. Processors universally stated that they attempted to furnish seed at cost. In view of the position adapted by both parties to the agreement, it would not seem unreasonable that the provisions of the contract relative to seed be so worded that the service be performed, on the average, at cost. A mutual understanding as to the research and developmental costs incident to the production of new strains is necessary in this connection.

1/ See Exhibit 5.

B. TARE ANALYSIS

In the case of sugar beets there are two types of tare involved, top tare and dirt tare. When the sugar beet is topped prior to delivery, the operation may be so performed that leaves and a part of the crown which are not useful for the production of sugar are left on the root. In these cases a deduction from the gross weight of the beets equal to the percentage of the total represented by tops and crowns is deducted in arriving at the net weight for which payment is made. In addition a deduction for the dirt adhering to the sugar beet is made.

The tare clauses in general use are as follows: "The grower..... shall deliver said beets with tops squarely cut off at the base of the bottom leaf in the case of medium or small sized beets, and with the crown trimmed up at a 30 degree angle from the base of the bottom leaf in the case of beets having a diameter of four inches or more. All beets delivered hereunder shall be free from excess dirt, stones, trash, and foreign substances likely to interfere with the work at the factory, and shall be subject to proper deductions for tare, and a distinct evidence of leaf scar is to be left after top tare is taken," 1/ or, "The grower further agrees that all beets grown and delivered by him shall be properly topped, that is to say, by cutting off the tops squarely just below the crown at the base of the bottom leaf mark in the case of medium or small beets and by trimming up the crown of larger sized beets from the base of such bottom leaf mark, and shall be free from dirt, stones, trash, and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare, and that he will protect the beets from sun or frost after removal from the ground...." 1/ or, "The grower further agrees that all beets grown by him shall be properly topped, that is to say, by cutting off the tops squarely at the base of the lowest leaf scar where a leaf has grown; that the beets will be fully protected from sun and frost after being pulled and topped; that the beets will be delivered free from foreign substance liable to interfere with factory operations; that no loose dirt will be removed from delivery vehicle until it has been weighed back, and that all beets shall be subject to deductions for dirt and improper topping". 1/

Growers in certain territories through their association representatives have suggested that the word "mark" in the second quotation above should be eliminated. It is the contention of these growers that their contract allows the processor to reject beets containing less than 12% sucrose and lower than 80% in purity and that the portion of the crown rejected through the top tare clause meets those requirements. The sugar company contends that there are impurities in the crown which in reality interfere with the operation of the plant and that consequently it is their earnest desire that growers retain the crown for feeding purposes. In other words, to the processor, the crown is an unmerchantable product which should not be delivered.

Growers occasionally criticize processors on account of the infrequency of sampling for tare. However, growers' representatives appearing at the hearings did not seem willing to recommend that the frequency of sampling for tare should be stipulated in the purchase agreement.

1/ Excerpts from contracts in use in 1938.

It should be noted that practically all of the purchase agreements permit the grower to have their representatives in the weigh houses and tare laboratories of the processors. In some instances growers apparently take advantage of those provisions as a check on the performance of the processor under the tare clauses.

In a number of European countries the contracts in use set forth in great detail the number of tare and sucrose samples to be taken and the methods of analysis to be followed. 1/ However, in view of the protective devices developed by the domestic sugar beet producer, such as the use of check tarem, it is doubtful whether a recommendation is necessary on this point.

1/ For example: The contract in use in England provides:

SAMPLING. The method of taking samples for tare and sugar content shall be as follows: (a) Manual Unloading: When the consignment has been partly unloaded enabling the man or men unloading to stand on the floor of the vehicle, the sample container, capable of holding only a small quantity in excess of 28 lb. shall be placed outside the vehicle where practicable and shall be filled by forking the beet from the floor in exactly the same way as the bulk is handled into the flume. (b) Unloading by Tipping or by Water Power: A side or back door of the vehicle shall be dropped and a sufficient quantity of beet removed with a beet fork or rake to allow for the sample to be secured by a beet fork or rake as near as practicable from the centre of the face exposed, or, if this system is impracticable, after the load has been tipped into the flume, the sample shall then be taken as follows: One fork-full from the top centre and one fork-full from each side of the pile as tipped into the flume. (c) Unloading by Grabs: Where the unloading is by grabs the following method shall be applied unless the sample is taken by the method stated in (b) above; when sufficient beet has been removed to allow the teeth of the grab to touch the bottom of the vehicle or vessel the sample container shall be placed against the vertical or sloping surface of the beet, the sample being raked in with a beet fork, or rake, from about the centre of the face exposed. (d) Number of Samples: One sample shall be taken from each twelve tons or part of twelve tons of untared beet in each consignment. If more than one sample is so taken the average shall apply for the purposes of tare and sugar content. If the Representative of the Growers or of the Corporation is of the opinion that any sample so taken is unfair he shall have the right to demand another sample to replace it, provided that it is practicable to take a further sample before the consignment is completely discharged. Such other sample shall be taken in the presence of both Representatives and shall then become an official sample.

TARING. - To arrive at the tare per cwt. the aforesaid sample shall be weighed exactly to 28 lb. The beet in the sample shall then be cleaned and again weighed to the nearest 1/4 lb. after (if necessary)

being re-topped squarely immediately below where the lowest leaves or buds on the crown only have grown. The difference between the two weighings multiplied by four shall be the tare per cwt. in lb. Two lb. shall then be added if the consignment has been unloaded by water power or tipped directly into a flume, hopper or dump. The tare so ascertained shall be deducted from each cwt. of the beet and soil in the consignment as unloaded and the resulting figure advised to the Grower as the net weight of his consignment to the nearest 28 lb. (1 lb. to 14 lb. being disregarded and 15 lb. to 27 lb. being taken as 28 lb.). The weight of the tops removed from the sample shall be separately ascertained and recorded on the Grower's advice note. Washing machines shall have openings of not more than $\frac{3}{4}$ inch in width and the maximum speed shall not exceed 25 revolutions per minute.

SUGAR CONTENT. - The beet in each sample shall be turned out on a grading board, 10 beet of different sizes, representing as nearly as practicable the range of sizes in the sample, being selected therefrom and analyzed by a competent employee of the Corporation in order to ascertain the sugar content by the "cold water digestion method" as hereinafter defined. The pulp as used in this method shall be obtained from the beet by means of a rasp, being a conical disc 12 inches in diameter and 28 mm. bore, the surface of which is cut with from 55 to 65 teeth to the square inch, so as to scale as nearly as possible a general average of 60 teeth. It shall be driven at a speed of not less than 300 revolutions and not more than 350 revolutions per minute when the rasp is under load. Each rasp shall be applied to not less than 1,500 samples and not more than 2,000 samples, and its sharp edge shall cut directly into the beet to obtain the pulp. In the event of the rasp becoming blunt before it has been applied to the required number of samples, a new rasp may be used with the consent of the Growers' Representative, but such consent shall not be unreasonably withheld. It shall be cleaned, after the ten beet of each sample have been dealt with, and washed down approximately every four hours with water and dried. The rasps shall be fitted and used with a clamping device with guides, and two rasping machines so fitted shall be provided by the Corporation. The rasps shall be purchased for the National Farmers' Union, hereinafter called "the Union", at the cost of the Corporation, a supply being held in the custody of the Union to be available at such times as the Corporation desire for the purpose of replacement.

THE COLD WATER DIGESTION METHOD. - 26.00 grammes of well-mixed pulp shall be weighed in a tared metal beaker of about 250 c. c. capacity; 177 c.c. of water shall be added containing from 5 to 7 c.c. of basic lead acetate solution (of about 30 deg. Be.) from an automatic pipette, the beaker being covered with a tight fitting rubber covered disc and shaken vigorously for about ten seconds. After filtration a drop of glacial acetic acid shall be added to the filtrate which shall be polarised in a 400 mm. tube in a polarimeter of 26.00 grammes normal weight. The reading will give the sugar content. The samples shall be analysed in batches of ten to twenty so that the contact between lead solution and pulp, including shaking,

is from five to ten minutes. If polarimeters of other normal weights than 26.00 grammes are used, the quantity of pulp to be weighed as well as the lead water solution to be added, shall be altered, e.g. with a polarimeter of 20.00 grammes normal weight 20.00 grammes of pulp shall be weighed and 182.3 c.c. of lead water, containing 5 to 8 c.c. of basic lead acetate shall be added.

C. TYPE OF SUCROSE ANALYSIS USED FOR SETTLEMENT PURPOSES

Regardless of the type of contract in use, i.e., so-called "50-50", or the stated extraction contract, the sucrose content of the sugar beet is given consideration. As the return to growers under the 50-50 agreement is contingent upon the volume of sugar recovered which is in turn related in large part to the sucrose content of the beet, the average quality of all beets is a factor. In those areas in which a schedule of payments for each quality of beet is employed, settlement is based either on the average sucrose content of the beet at the time of slicing, the so-called "cossette" test ^{1/} or, as an alternative, on the sucrose content of the beets at the time of delivery by each producer.

Those who advocate that settlement be made with each grower on the basis of the average sucrose content of the beets delivered during the season by all growers do so primarily as (1) it reduces the risks in financing the crop, (2) distributes the risks of low and high sucrose content and, (3) because of some lack of confidence in the individual analysis promotes better feeling between grower and processor.

When a banker makes a loan on the sugar beet crop in an area in which the so-called "factory average" test is used as a basis for settlement, he has to take some risk on account of the price of sugar, but, as the average sucrose content of all beets delivered in a particular factory district tends to remain somewhat stable from year to year, he does not have to concern himself a great deal about the quality of beets delivered by the individual. There is, of course, great variability in the average sucrose content of deliveries by different producers for the season. With the risk of quality variation distributed, it is urged that the banker can adopt a more liberal credit policy.

Furthermore, it is asserted that the sucrose content of the beet is not subject to control. For example, a hail storm may occur in a portion of a factory district. The beets affected, because of the necessity for re-growth of tops and the consequent immaturity will in all probability be lower in sugar content than unaffected fields. A portion of an area may be affected by leaf spot to such a degree as to reduce the quality of the beets in the affected fields. From these and similar occurrences, it is argued that a

^{1/} A "cossette" is the shoestring like portions of the beet which result from slicing or cutting the beet.

desirable distribution of risks can be made, and that those unaffected by these calamities are glad to share their good fortune with other growers who have suffered.

On the other hand, it is argued that climate and soil type differ within factory districts to such a degree as to cause consistent differences in the quality of sugar beets to exist. For example, there are as much as two thousand foot differences in elevation within factory districts, with consequent differences in quality attributable to climatic differences. Similarly there are pronounced differences in soil type which cause consistent differences in quality to exist. It would appear unfair, therefore, in factory districts where these differences exist, to require the producer who consistently produces a high sucrose beet to share his sugar content with producers less favorably situated.

Moreover, there are certain cultural practices which have a consistently adverse effect upon the quality of the beet. For example, excessive manuring, which creates a rank top growth, frequently leads to delayed maturity and relatively low sugar content, but high tonnage per acre. Late irrigation has a similar effect as does harvesting at an unusually early date while close spacing is said to have an opposite effect. Sixteen tons of beets containing 14 percentum of sucrose are equal to fourteen tons of beets containing sixteen per centum of sucrose. In the latter case a smaller tonnage of beets has to be harvested, transported and processed to get the same quantity of sugar.

From the point of view of the processor it would appear to be a matter of indifference whether settlement is based upon the test of individual deliveries, or the average of the beets sliced, except insofar as the average quality of all beets delivered may be adversely affected by certain cultural practices. However, two factors need to be taken into consideration: first, that the cost per unit of sugar extracted is greater if beets are low in quality than if they are high in quality, as it costs no more to transport and very little more to process a ton of high quality beets than a ton of low quality beets; and second, that the risk of any decline in the sugar content of the beets stored in the piles at the factory is assumed by the processor in those instances where the individual test basis of settlement is employed.

In testimony relative to the merits of the individual test basis versus the factory average a grower stated at the Denver hearing that between the years 1918 and 1930, a period during which the factory average test was employed in his district, deliveries from his ranch, if paid for on an individual test basis would have produced an additional income of not less than \$10,000. In other words, somebody else received credit for \$10,000 worth of sugar delivered by him because of the method of settlement used. It is reasonable to assume that approximately one-half of the producers, i.e., those producing the higher quality beets, would favor the individual test method of settlement and that the other half would prefer to average out with the producers of the better quality product. If an area is homogeneous from the point of view of soil type, climate and cultural practices, it would not seem to be a matter of very great difference of opinion as to which settlement basis is used. In factory districts in which pronounced differences exist, it would seem only fair that the individual basis be employed. In

general, it may be pointed out that wherever a product is sold on the basis of grade and quality, the product tends to be superior to the product of those areas where grade and quality are not factors having price importance.

D. PAYMENT OF FREIGHT

In general it may be said that the processor in the western states equalizes the freight position of producers whereas this is not the general practice in the states of Michigan, Ohio, Indiana, and Wisconsin. In these latter states the grower ordinarily pays the cost of transportation to the mill.

In the event the processor pays the freight on beets the farmer located close to the mill has no advantage over the more distantly located farmer. It is generally argued that, in order that the mill may have an adequate supply of raw material it is necessary that a rather wide geographic area be used as a source of supply. If the producers more distantly situated are required to pay the freight on sugar beets produced by them, revenues may be insufficient to induce them to produce sugar beets, to the detriment of the producers close to the mill, as adequate volume may not be available for the mill and unit costs of processing may therefore be increased with a consequent reduction in the ability of the processor to pay. The location of the farm relative to the mill is merely the fortuitous result of the judgment of the company as to a desirable mill location, and as such should not necessarily favor one producer over another. Growers in the west, as well as processors, appear to favor that point of view.

In the east, where the transportation situation is somewhat different, the grower customarily pays the freight. Trucks are extensively used for transport to the mills. At the hearings held in that area in the spring of 1938, it appeared to be the consensus of opinion among growers and processors that it was desirable and economic, in view of the conditions in the area, that the grower pay the costs of freight.

E. METHOD OF DETERMINATION OF "NET PROCEEDS"

As has been previously noted, the price paid for sugar beets is made contingent upon two factors, namely the quality of the beet, and the "net proceeds" derived from the sale of the sugar.

The "net proceeds" or "net returns" are generally defined as "..... the net return on sugar sold as aforesaid during said period shall be determined by deducting from the gross sale price, all such charges and expenditures as are regularly and customarily deducted from the gross sales price of sugar, in accordance with the Company's system of accounting heretofore established, showing net receipts from sugar sold, after deducting also all excise, sales and other taxes either now or hereafter imposed directly or indirectly on or arising out of the production, possession, holding for sale, sale or shipment of such sugar or on all or any part of the proceeds.

thereof." The "customary deductions" 1/ generally include such items as freight on sugar to destination, trade cash discounts, insurance on sugar, taxes on sugar, storage in outside warehouses, loading and handling charges, credit insurance, telephone and telegraph covering sugar sales, traveling expenses covering sugar sales, brokerage and commissions and sales salaries.

Both growers and processors were asked, at the hearings held in the spring of 1938, whether, in their judgment, the items usually deducted from the gross sales prices should all be deducted in arriving at a basis of settlement. In the case of freight on sugar, it is definitely to the interest of both groups that the item be shared, as the producer is able to encourage local consumption in order that freight costs may be minimized. With respect to other items the case is not as clear. Even though growers exercise no control over these items it was their almost universal opinion that, in view of the audit of these items by certified public accountants, there was adequate protection to them. It would nevertheless appear doubtful whether under the general principle of a participating contract the grower should share in a controllable expense item if the control is delegated to the processor. Perhaps the most satisfactory type of contract would be one in which only freight and excise taxes were deducted in arriving at the "net return" factor.

In some few instances the purchase agreements in use provide that the "net return" shall be determined for a group of factories located in the same general area, particularly where the factories are subject to a common ownership. In some instances provision is made for the settlement on the basis of the "net return" realized by a group of factories under dissimilar ownership. In case one processor has several factories located in a common freight area but settles with growers in each factory district on the basis of "net proceeds" to the particular factory, he may elect to offset slightly higher sucrose content in one district by shipping the sugar produced at that factory to a market ordinarily served by him but a slightly greater

1/ For example, the settlement sheet issued to producers in a district is in part as follows:

Gross sales, less allowances.....	
Less:	
Freight on sugar to destination.....	
Cash discount.....	
Less selling expenses:	
Insurance.....	
Excise taxes, and personal property taxes on sugar.....	
Storage (exclusive of storage in company-owned warehouses).....	
Shipping and handling charges (including cost of special packing).....	
Brokerage and commission.....	
Miscellaneous (including sales department salaries and expenses, losses on accounts, etc.).....	
Net Return.....	

distance from the factory and therefore involving higher freight charges, thereby maintaining returns to the growers at each factory at about the same level per ton. Growers have also asserted that in some instances, the sugar produced in one factory district has been shipped to the most remote marketing territory served by the processor to reduce returns to a particular group of growers as a disciplinary measure. It is practically impossible to tell where desirable marketing practice stops and discipline of the kind suggested starts. Wherever economically feasible it would seem desirable in order that such situations be avoided that the "net returns" be determined for groups of factories serviced by a single company.

In case two or more corporations are processing sugar beets produced in a common territory, the practice is sometimes followed of settling with producers on the basis of the "net proceeds" of the group of factories. The result of the practice is, of course, to average the position of the grower serviced by each processor, one grower gaining a little in one year and losing in another, but each probably enjoying a more stable income than would otherwise be the case. At the same time, competition between processors for beets may be reduced. Any such arrangement should be made only by mutual agreement of all parties involved, and with full knowledge on the part of both groups of any unusual competitive conditions which may have a bearing upon the desirability of the practice.

VI. ALTERNATIVE PRINCIPLES FOR DETERMINING THE PRICE OF SUGAR BEETS

In view of the general nature of the sugar beet industry, as described above, it is to be anticipated that in bargaining between the growers and processors the representatives of each group will seek to obtain the type of purchase agreement which will lead to the most favorable results for their group. Numerous principles may be suggested as the basis for such agreements but in actual application of these principles the extreme results would be represented by contracts in which either one of the two parties would be expected to assume all of the risk of variations in the quality of the beets and the variations in the price of sugar during the marketing season.

(a) FLAT RATE PRICE BASIS.

A flat rate contract is one in which a pre-determined price per ton is offered, the quality of the beet as well as the price for sugar, being disregarded in the memorandum of agreement. Under this type of contract, the grower is assured of a definite price for his crop, the only unknown for the producer being the yield per acre which he is likely to receive. The quality of the immediate crop plays no part in the determination of the price thereof. With the price of sugar beets definitely known it is argued that the grower, having full knowledge of his probable return from the crop, is in a position to work out his farm program more intelligently even though he is not in position to know the probable return from other crops. As the price is known, he will be able to effect credit arrangements more easily than if the price of his product is not known.

Under such a system of purchase the processor of necessity assumes the risk of variation in the quality of the crop as well as the risk of variation in the price of beet sugar. As recompense for the assumption of those risks,

the processor, as has been the case historically, would probably insist upon the maximum profit available in bidding for beets in competition with alternative crops.

Under the semi-monopolistic theory of price, if the sugar industry were protected to such a degree that excess profits were available after payment for beets in competition with alternative crops, these profits would accrue to the processor. If there existed a regional advantage in the production of sugar, such, for example, as the relatively low freight cost on a concentrate such as sugar, as against the high freight costs and consequent low value at the point of production of bulky commodities, the processor would be able, at least temporarily, to assume those advantages under this theory of price.

Apparently the principles of the flat rate contract which failed to consider the quality of the beets or the price of sugar were distasteful to producers. In years of high price and good quality crops, the profits of processors were large. The grower felt that he was entitled to a portion of those profits even though the crop was purchased at a guaranteed price, as the system of protection which made the results possible was designed to help all parties concerned.

Closely akin to the flat rate type of contract is the participating type of contract carrying a minimum guaranteed price per ton of sugar beets. The effect of such a type of contract is to place additional risks upon the processor. The processor underwrites the risk of excessively low prices, but participates only in a limited degree in the benefits of higher levels.

Many growers favor this type of contract as it assures a guaranteed minimum level of income per ton, thereby making it possible to secure credit accommodations more favorably and possibly guaranteeing to the grower his costs. Furthermore, it permits participation in the benefits associating with prices in excess of those necessary to secure the guaranteed minimum return as well as in the benefits of high sugar content.

The processor argues that some principle of distribution must be employed in the event the "net proceeds" from the sale of sugar exceeds the level necessary to insure the grower an income equal to the minimum guaranteed. If the principle used to determine the extent of grower participation at sugar price levels in excess of that necessary to attain the guaranteed level is fair, it necessarily follows that the failure on the part of growers to participate in the risks of prices which result in a net return which makes the minimum guarantee operative, would be unfair. In other words, if any principle of participation is fair a minimum guarantee can be fair only at the level of sugar prices which would yield a price per ton of beets in exact conformity with the price which would result under the participation contract. In summary, it is argued that the principle of risk distribution and equality of opportunities to be found in any participating contract is inconsistent with the idea of a minimum guarantee.

The processor states that it is not his function to assume all of the risks of price variation and that it is not possible, as is the case in flour milling or similar ventures, to transfer this risk through hedging transactions. Under conditions as they now exist, i.e., a quota control structure

with processing taxes and conditional payments, the grower is guaranteed the first 53.5 cents per bag of refined beet sugar plus an additional twenty percent, as conditional payments are made at the rate of 64.2 per pound of refined sugar. If there is fairness in a participating principle, it is fair at all levels of price. In addition the inclusion of a minimum guaranteed price under present circumstances, would, it is argued, force upon the processor a risk which, the historical record has shown, he is unable to assume in its entirety.

(b) COST OF PROCESSING BASIS

As the extreme opposite of a flat rate contract a cost plus or toll basis contract might be developed. Under such a system, the price of sugar beets would be wholly dependent upon the price of sugar and the cost of processing. The processor would be assured of his costs, everything left over accruing to the producer. Under this principle all the risks of price and quality would be assumed by the grower. In addition, the competitive incentives toward improvement of technical efficiency and cost reduction would not operate with equal force. In fact, the incentives might be such as to lead to inflation of costs, a situation occasionally said to be the case in some public utility enterprises.

It should be noted that the income of the farmer is at all times subject to great variability, and, further, that in some instances the instability of income is aggravated by reason of the inflexibility of certain cost items such as freight. For example, if the freight bill on a bushel of wheat from the point of production to the central market is twenty five cents, a decline in price in the central market from seventy five cents to fifty cents a bushel would cut the income of the farmer situated as above in half while the income of the group performing the transportation service would remain at its approximate previous level. Similarly, adoption of the "cost of service" principle in the case of the sugar beet processing industry would tend to increase the instability of grower income by insulating certain groups against the effects of price variation.

(d) PARTICIPATING BASIS

The participating principle is generally used in the purchase agreements employed by the domestic sugarcane industry. The price of raw sugar as well as the quality of the cane are both factors used in determining the price to be paid by the miller for his supply of sugarcane. Similarly, the purchase agreements in use in the domestic beet sugar industry are of a participating nature.

Immediately a participating contract is suggested, the problem of the development of an acceptable principle or group of principles which may be employed as a standard to effect an income distribution arises. A number of such principles (1) relative cost, (2) consideration of relative investment of grower and processor, and (3) relative hazard have been suggested. Each of the above standards upon which a distribution of the income of the industry could be based, is open to serious objection.

The United States Tariff Commission, in its "Report on Sugar" published in 1934, found that the costs of producing beet sugar were approximately equally

divided between producer and processor. Assuming that no substantial changes in the relative cost position of the two groups has occurred since that time, the grower and processor should, upon the basis of sharing income in the same ratio as costs, share alike in the returns of the industry, conditional payments included. However, if we assume that the broad average results are not applicable to individual cases, data with respect to individuals must be secured. Let us assume that a processor, because of some unusual circumstance, was unable to secure a sufficient supply of sugar beets to insure operation of his factory for a period of more than thirty days. A high level of processing costs relative to the costs of the growers would result and application of the standard in the particular district would probably lead to a substantial decline in the price of sugar beets. Obviously, it may be more economical for a processor to operate at a loss if he gets some contribution toward his fixed costs and depreciation, than to accept the principle of recoupment of relative costs; and because of his relatively high costs so reduce prices for sugar beets as to dry up his source of raw material. Individual corporations operating in the same area frequently have such radically different cost structures, even though growers in the several districts served are similarly circumstanced, that rigid adherence to this principle might lead to great inequity.

Within each factory district there are many marginal producers whose costs are far above the average, and many whose costs are below the average. In such instances, assuming that costs could be accurately determined, it would be difficult to decide whose costs should be employed in giving effect to such a standard.

It is frequently asserted that the relative investment of the two groups should be given consideration as a standard. It may be possible to determine the investment per unit of product made by each party. However, investment is not as easy of ascertainment as is frequently supposed. If such a standard appeared desirable a valuation base would have to be ascertained. In the case of a sugar beet industry the problems associating with engineering appraisals would be as difficult as in the public utility field and all of the problems as to whether a proper base is found in original cost, replacement cost depreciated value, etc., would arise. In the case of the capital value of land, the value of a farm is quoted as so much per acre, but the valuations for similar or identical lands vary, depending upon the kind of improvements which have been made. The farmer, in quoting capital costs, almost invariably thinks in terms of the total value of his farm divided by the number of acres to derive a value per acre. The number of dollars invested in his house, garage, or similar structures which are not in reality a part of the sugar beet enterprise but are rather his facilities for living or engaging in alternative farm enterprises are frequently stated to be capital costs associating with the beet enterprise. Of course, the relative investment of each party would have no significance unless the turnover of capital was somewhat similar in both instances, and the relation of fixed and variable costs were similar in both types of venture.

The relative hazards of each party are not directly comparable. The farmer because of the very nature of his enterprise always has assumed the risks associating with drought, pest, hail and similar calamities as well as the risks of price. His capital always has an opportunity of alternative use. The processor assumes the risks of volume, some risk of quality and price, or some risk of reduction or loss of protection of the industry, with probable associated inability to use further the capital invested. It would seem that no single basis could be used satisfactorily, as a standard in arriving at a fair and reasonable price for sugar beets.

It is apparent from the previous discussion that two definite limits to price exist. It is obviously impossible for the processor to secure an adequate supply of sugar beets unless he pays a price at least sufficiently high in competition with other crops to induce growers to produce sugar beets. It is also obvious that the grower cannot secure a price for sugar beets in excess of that represented by the processor's ability to pay. The margin or zone between these two limits may be small in certain districts and at certain times. In other instances it may be large. And within these limits the result is usually dependent on the relative strength of the bargaining power of the two parties. When the processor is unable to pay a price for sugar beets which will yield the grower a return as favorable as alternative crops, processing facilities may have to be abandoned and sugar beet production discontinued, an event which has, during the life of the industry, frequently occurred. Nearly every industry has its group of so-called marginal units.

VII. REGIONAL FACTORS WHICH SHOULD BE CONSIDERED IN ARRIVING AT A PURCHASE AND SALE AGREEMENT

There exist a number of important differences between the several territories in the United States in which sugar beets are produced. Chief among these are the ability of the area to penetrate so-called "high net" sales price territory with sugar as well as byproducts, secure an adequate supply of high quality raw materials, operate sugar beet plants for a long interval of time, and obtain labor and supply materials favorably.

The two major characteristics sought in the sugar beet are high sucrose content and high purity. The types of impurities present in the beet as well as their volume are of importance, some impurities being more undesirable than others. The sucrose content of sugar beets produced in various territories has been, during recent years, as follows:

TABLE VII

Weighted Averages of Percent Sucrose Content
in Cossettes, 1933 - 1937 by Areas

	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>Average</u>
No. California	17.81	18.36	18.81	17.51	17.94	17.89
So. California	18.60	18.26	17.85	17.41	17.86	18.00
Colo. & Nebraska	15.57	16.79	16.62	15.49	15.36	15.97
Idaho	18.02	17.21	16.34	16.58	16.80	16.99
Indiana & Ohio	15.79	15.48	13.33	14.55	14.69	14.77
Iowa & Minnesota	16.40	15.98	14.72	14.83	15.67	15.52
Michigan	16.13	15.95	15.08	14.81	15.41	15.48
Montana & Wyoming	17.48	17.36	17.84	16.75	16.41	17.17
Utah	16.87	16.01	15.63	15.92	15.80	16.05
Wisconsin	16.49	15.82	14.11	14.15	16.15	15.34
Other states	15.83	16.87	16.63	15.71	15.94	16.20
U. S. average (weighted)	16.60	16.98	16.50	16.13	16.22	16.49

Source: S. S. 12

Although the sucrose content has varied from year to year it is evident in the above table, that certain districts consistently produce a higher sugar content beet than other districts. The significance of sucrose content is obvious when recognition is given to the fact that on the average, for the five-year interval, processors in southern California processed beets containing 360 pounds of sugar per ton of beets as contrasted with beets containing 300 pounds in the Colorado and Nebraska areas and 295 pounds in the Ohio-Indiana area for the period. Assuming the same percentage of the sugar were extracted if there were two plants of identical size and capacity, processing beets of the above qualities, the plant using the 14.77% beet would have to operate about 100 days to extract as much sugar as the plant slicing 18% beets would extract in about 80 days. Ordinarily, the low sucrose beet contains a greater amount of impurities so that a small percentage of the sugar is recoverable. It is obvious, of course, that many costs, such as freight, handling of beets, slicing and so on, are dependent upon the tonnage of beets sliced and that costs of that type are therefore higher per unit of recovered sugar in the case of low sucrose content beets than in the case of high sucrose content beets.

Another factor of great importance is the ability of the area to find profitable markets. The following table shows the net proceeds realized from the sale of beet sugar:

TABLE VIII

Weighted Averages of "Net Proceeds" per 100# Bag of
Beet Sugar By Areas, 1933 - 1937 Crops

Area	1933 (Net return per 100#)	1934 (Net return per 100#)	1935 (Net return per 100#)	1936 (Net return per 100#)	1937 (Net return per 100#)
California	\$3.769	\$3.360	\$3.819	\$4.151	\$3.740
Colorado, Nebraska & So. Wyoming	3.563	3.524	4.028	4.188	3.617
Indiana, Michigan & Ohio	3.856	3.796	4.319	4.454	3.910
Iowa, Minnesota & Wisconsin	3.898	3.711	4.240	4.487	3.892
Idaho, Oregon & Utah	3.509	3.410	4.067	4.281	3.588
Eastern Montana & No. Wyoming	3.654	3.496	4.080	4.232	3.584
Western Montana	3.821	3.587	4.206	4.414	3.738
Other (Kansas, South Dakota & Washington)	3.941	3.799	4.243	4.541	3.854
U. S. Average	3.670	3.540	4.050	4.250	3.680

Source: S. S. 12

It will be noted that certain districts are able quite consistently to realize a greater return per bag of sugar than other areas. For example, beet sugar produced in Colorado and Nebraska has generally been sold for about thirty cents per bag less than sugar produced in Michigan and Ohio because of location with respect to markets. Assuming that about 290 pounds of sugar are recovered per ton of sugar beets, it would seem that the sugar produced from a ton of beets in Michigan will command about 90 cents more than the sugar produced from a ton of Colorado beets. Sugar produced in the eastern Montana area has generally commanded a smaller return than sugar produced in western Montana plants. The differences are of course attributable to the transportation cost involved in shipping sugar to distant markets. Sugar is sold on the basis of its seaboard price plus freight to interior points, so the "net return" from beet sugar produced in the mountain states declines as larger portions of the crop move eastward. The decline in "net returns" results from the fact that the freight cost is increased as the more distant markets are sought, and the sales value declines, as sugar is generally sold on the basis of seaboard prices plus freight to interior markets.

1/ Net return is ordinarily defined, in the established purchase agreements, as the gross proceeds from the sale of sugar less selling and delivery expenses as well as all excise, processing, and similar taxes.

A somewhat similar situation exists insofar as by-products are concerned. In the mountain states, where forages can be readily produced, but where market outlets are few, the value of by-products is far less than is the case in eastern states where the forage crops are shipped in. The total return from the products of a ton of sugar beets of identical quality is therefore consistently greater in some parts of the country than in others.

It should be recognized that there are compensatory differences throughout the domestic sugar beet area. In some parts of the area, where the "net proceeds" derived from the sale of the crop are large, there may be agriculture hazards which may tend to increase agricultural costs. At the same time, the processor may have to pay more for his fuel by reason of his location relative to supplies, he may be faced by higher labor costs, and similar situations which tend to nullify, in some degree, the advantages of his ability to secure high net returns from the sale of the several products.

TYPES OF CONTRACTS FOR EFFECTUATION OF THE PARTICIPATING PRINCIPLE

The principles upon which a distribution of the income of the beet sugar industry may be made in a participating form of agreement may be effectuated by the use of either a stated schedule of values for each level of sucrose content and price or by a percentage distribution of the "net proceeds" from the products produced from a ton of sugar beets.

A percentage distribution of the "net proceeds" realized from the sale of the products from a ton of sugar beets is supported by many. Its advocates claim that distrust with respect to the analysis of sucrose content and tare are eliminated as the price paid for a ton of beets is determined merely by taking the total "net proceeds" from the sale of the products, dividing by two in the case of a fifty-fifty division, and then dividing the figure so determined by the number of tons of beets which have been delivered. In the usual contract of this type, no provision is made for giving recognition to the quality of the sugar beets delivered by the individual grower.

Under the straight percentage form of agreement, the receipts of the producer are in some degree dependent upon the efficiency of the mill in extracting sugar from the beets. A processor who extracts a large percentage of the sugar in the beets is required to pay more for his raw materials than the processor who recovers a smaller percentage of the sugar.

Advocates of the so-called "stated extraction" type of contract state that there is marginal sugar available. If a straight percentage distribution of the "net proceeds" is made, then the processor is induced to "skin the cream" as it were, by extracting only that portion of the sugar which can be recovered at low cost. If, by installation of a new machine, or by incurring an additional cost, more of the sugar may be recovered, the installation would not be made unless the value of the percentage of the sugar retained by the processor, let us say one-half, exceeded the cost of its extraction. For example, suppose sugar could be sold at a return of 4 cents per pound. If, by a new installation at some point in the factory additional sugar could be recovered but at a

cost of 3¢ per pound, the processor operating under a fifty-fifty arrangement would not make the installation as he would lose 1 cent a pound for each extra pound of sugar extracted. He would incur costs of 3 cents and pay the grower 2 cents for the sugar, making total costs of 5 cents against which he would receive only 4 cents. If, on the other hand, a stated extraction contract were employed, the mere fact of recovery of additional sugar would not increase the cost of sugar beets, and the processor would have an opportunity of making profits by recovering marginal sugar. In fact, it is frequently argued that the improvements would, with the passage of time, probably enable the processor to pay more for his beets. During the three-year period 1935-1937 those sugar beet mills purchasing sugar beets under the stated extraction type of purchase agreement recovered approximately 4.5% more of the sucrose from the beets sliced than those operating under the fifty-fifty arrangements. On a sugar beet testing 16% sucrose this amounts to about 15 pounds of sugar. Although other factors may have influenced this result, it would appear that the economic incentives toward operating efficiency are more adequately provided by use of the stated extraction form of purchase agreement.

BETTER PRODUCTION, YIELD PER ACRE, AND PRICE PER TON RECEIVED BY PRODUCERS
BY CHIEF PRODUCING STATES, 1929 - 1938

BETTER PRODUCTION (1,000 SHORT TONS)

<u>Area</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>
Ohio	174	1/	1/	259	328	312	349	259	144	397
Michigan	300	513	581	1215	1203	999	686	867	549	1028
Nebraska	1054	1136	891	877	1067	549	625	782	882	1081
Montana	386	572	617	739	838	786	570	654	852	955
Idaho	492	446	301	709	837	294	562	619	615	1019
Wyoming	487	646	552	506	593	434	525	486	612	687
Colorado	2612	3312	2532	1777	2628	1566	1826	2234	1992	1984
Utah	565	553	505	846	912	250	506	500	570	742
California	545	768	1060	1288	1618	1617	1443	1975	1707	1993
Other States 2/	703	1253	864	854	1006	712	816	652	826	1406
United States	7318	9199	7903	9070	11030	7519	7908	9028	8749	11292

YIELD PER ACRE (SHORT TONS)

<u>Area</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>
Ohio	8.7	1/	1/	10.0	7.8	8.0	7.0	9.2	5.8	7.9
Michigan	5.8	6.9	10.0	10.0	7.8	8.5	6.0	8.8	7.2	8.4
Nebraska	11.5	14.0	13.7	13.3	12.1	9.2	12.3	11.5	14.0	14.0
Montana	10.2	12.7	11.4	13.7	12.3	12.3	11.2	10.9	12.2	12.2
Idaho	10.2	10.1	9.1	13.4	11.2	8.6	11.0	11.9	12.1	14.0
Wyoming	10.4	14.0	11.3	12.6	11.4	10.3	13.1	11.0	13.0	12.7
Colorado	12.4	13.7	11.3	11.4	12.6	9.3	13.0	13.1	12.4	14.5
Utah	12.6	12.6	10.3	15.1	12.3	7.8	12.3	13.9	12.4	14.3
California	11.8	11.8	11.9	12.4	15.0	14.7	12.4	14.2	12.9	12.7
Other States 2/	7.8	9.3	9.4	9.8	8.9	6.9	7.5	8.2	10.1	10.8
United States	10.6	11.9	11.1	11.9	11.2	9.8	10.4	11.6	11.6	12.1

EXHIBIT 1 - Page 2

PRICE PER TON RECEIVED BY PRODUCERS (DOLLARS) 3/

<u>Area</u>	<u>1929</u>	<u>1930</u>	<u>1931</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>
Ohio	7.55	1/	1/	5.34	5.71	5.52	5.29	6.37
Michigan	7.94	8.08	6.33	5.73	5.81	5.92	6.29	6.45
Nebraska	6.96	6.95	5.46	4.58	4.50	4.60	5.91	5.78
Montana	7.29	7.32	6.01	5.39	5.46	5.21	6.36	6.30
Idaho	7.17	7.41	6.03	5.10	5.16	4.69	5.26	6.06
Wyoming	7.18	7.19	5.71	4.97	5.26	4.99	6.18	5.98
Colorado	6.93	6.91	5.44	4.62	4.62	5.04	5.81	5.70
Utah	7.05	7.00	5.82	4.77	4.80	4.40	5.08	5.82
California	7.28	7.46	7.40	6.62	5.67	5.22	5.81	6.48
Other States 2/	6.97	7.22	5.97	5.22	5.20	4.97	5.30	5.61
United States	7.08	7.14	5.94	5.26	5.13	5.16	5.76	6.05

Source: "Agricultural Statistics"

1/ Included with "Other States"

2/ Includes Indiana, Illinois, Minnesota, Iowa, North Dakota, South Dakota, Wisconsin, Kansas, Nevada, New Mexico, Washington, and Oregon, except in 1930 and 1931 when Ohio also is included.

3/ Data for 1937 and 1938 no longer published.

WEIGHTED AVERAGE YIELD OF TONS OF BEETS PRODUCED PER HARVESTED
ACRE BY AREAS - 1933 - 1937

<u>Area</u>	<u>1933</u>	<u>1934</u>	<u>1935</u>	<u>1936</u>	<u>1937</u>
Northern California	16.14	16.45	13.54	14.70	13.38
Southern California	11.95	10.95	9.45	12.54	10.79
Colorado and Nebraska	12.41	9.23	12.85	12.64	12.87
Idaho	11.36	8.74	11.01	12.02	11.96
Indiana and Ohio	7.83	8.04	6.90	9.16	5.91
Iowa and Minnesota	9.31	6.02	7.45	6.76	10.07
Michigan	7.88	8.61	6.06	9.02	7.23
Montana and Wyoming	11.95	11.15	12.09	10.96	12.56
Utah	12.40	7.62	12.28	14.08	12.24
Wisconsin	9.09	8.81	6.46	9.95	8.40
Other (Kansas, South Dakota, Oregon & Washington)	8.66	7.53	8.17	9.47	11.56
U. S. Average 1/	11.27	9.77	10.35	11.68	11.62

Source: Forms SS-12

1/ These averages differ slightly from those recorded in "Agricultural Statistics", as computed by Bureau of Agricultural Economics, because of the variance in factors used and the earlier date their data are collected.

Form No. Sugar 27
United States Department of Agriculture
Agricultural Adjustment Administration
Sugar Section

FINDING IN RE. SUGAR BEET CONTRACT DISPUTE
(In the So-Called Great Western Sugar Company Area)

WHEREAS, there has been presented to me by associations of producers (Mountain States Beet Growers' Association, Nebraska Non-Stock Cooperative Beet Growers' Association, Wheatland Beet Growers' Association, Montana-Wyoming Beet Growers' Association, Goshen County Beet Growers' Association), in the so-called Great Western Sugar Company area, a dispute between the associations and the Great Western Sugar Company and/or the Holly Sugar Corporation with respect to the terms "under which sugar beets...are grown or are to be grown and/or marketed" for the year 1935, and

WHEREAS, by reason of this dispute the producers and processors in the above area have been unable to reach an agreement as to the terms of the contract for 1935, which deadlock is frustrating the purposes of the Agricultural Adjustment Act, as amended, and

WHEREAS, to prevent a continuation of such deadlock, I have offered my services as a mediator to obviate a further frustration of the purposes of the Agricultural Adjustment Act, as amended, and

WHEREAS, I have investigated the major aspect of the dispute so presented, which involved the question of the division between producers and processors of the proceeds from the sale of products manufactured from sugar beets, and having examined relevant statistics and data pertaining to the basis upon which the sugar beet purchase contract was predicated; I do hereby find that (a) under conditions now prevailing (relative to weight and sugar shrink) in the production of sugar beets and the processing and distribution of products derived therefrom and (b) having in mind only the basis upon which the purchase contract has been constructed in the past, that the following schedule of payments to be used in the following named areas would more fully tend to effectuate the declared policies of the Act:

1. So-called Great Western area in Colorado, Nebraska and Wheatland, Wyoming. Schedule based upon individual sucrose test.

Percent Sucrose in Beets	Ave. Net Return per 100 Pounds of Sugar.				
	<u>3.25</u>	<u>3.50</u>	<u>3.75</u>	<u>4.00</u>	<u>4.25</u>
14.0	3.82	4.11	4.41	4.70	5.00
14.5	3.98	4.29	4.59	4.90	5.21
15.0	4.13	4.45	4.76	5.08	5.40
15.5	4.27	4.60	4.92	5.25	5.58
16.0	4.41	4.75	5.09	5.43	5.77
16.5	4.58	4.93	5.28	5.63	5.98
17.0	4.73	5.09	5.46	5.82	6.18
17.5	4.87	5.24	5.62	5.99	6.37
18.0	5.02	5.41	5.79	6.18	6.57
18.5	5.17	5.57	5.97	6.37	6.77

EXHIBIT 2 - Page 2

2. So-called Great Western and Holly territory in Northern Wyoming and Montana.

Percent Ave. Net Return per 100 Pounds of Sugar.

<u>Sucrose</u> <u>in Beets</u>	<u>3.25</u>	<u>3.50</u>	<u>3.75</u>	<u>4.00</u>	<u>4.25</u>
15.0	4.10	4.41	4.73	5.04	5.36
15.5	4.27	4.60	4.93	5.26	5.58
16.0	4.44	4.78	5.13	5.47	5.81
16.5	4.62	4.97	5.32	5.68	6.04
17.0	4.79	5.16	5.52	5.89	6.26
17.5	4.96	5.34	5.72	6.10	6.48
18.0	5.13	5.53	5.92	6.32	6.71
18.5	5.30	5.71	6.12	6.53	6.94

Payments upon intermediate net returns for sugar and/or sugar content, or on net returns for sugar and/or sugar content higher or lower than those shown in the foregoing schedules, shall be in the same relative proportion; provided, however, that if, prior to the date of final settlement for beets under this contract the said net return on sugar as provided hereafter shall be less than \$3.25 per one hundred pounds, the price per ton of beets shall be the price determined as aforesaid, less a deduction of 1 percent of such price for each 5 cents of decrease in net return per one hundred pounds of sugar below \$3.25, with proportional deductions from such price for decreases of fractional parts of 5 cents as aforesaid.

It is assumed that the net return from sugar and the average percentage of sucrose in beets will be determined as in the past.

H a w a l l e c e

March 27, 1935.

Secretary

The following is the text of Secretary Wallace's letter to Chairman Harrison of the Senate Finance Committee with regard to a processing tax on sugar:

May 7, 1936

Hon. Pat Harrison,

United States Senate.

Dear Senator Harrison:

Reference is made to our conference of April 30, 1936, relating to various tax problems, at which time you requested information with respect to a processing tax on sugar as a possible source of revenue.

When H. R. 12395 was under consideration by the Committee on Ways and Means of the House of Representatives, this Department, upon invitation of that Committee, recommended that a tax be imposed on the processing of sugar-cane and sugar beets, measured by the sugar produced therefrom, at the rate of .5 cents per pound of sugar, raw value. It was recalled that a processing tax on sugar at this rate became effective under the Jones-Costigan Act, at the same time as the statutory duty on Cuban sugars was reduced by an equivalent amount. While this tax was in effect, the average price paid by consumers for sugar at retail was less than the average retail price of sugar during the five preceding years. This Department recommends this tax to your Committee also.

If this tax is levied, the total tax borne by sugar imported from Cuba, the principal foreign source of supply, including the import duty of .9 cents per pound of sugar, raw value, would amount to 1.4 cents per pound, as compared with the tariff rate of 2 cents per pound that prevailed for four years prior to June 9, 1934, the effective date of the Jones-Costigan Act, and the tax on all other sugar, except the small amount imported from other foreign countries, would be .5 cents per pound. The total estimated revenue from the excise and the duty is \$102,000,000. Without this excise, the returns to the Treasury would be confined to receipts from import duties, estimated at \$36,000,000 for the year 1936, which compares with an average of \$76,000,000 in the three-year period 1931-1933.

It will be noted from Appendix I, attached, that, at the March and April price level for raw cane sugars and without a processing tax on sugar, unless there is a simultaneous discontinuance of the quota system, the growers' share of the sum of the net return from the sale of beet sugar and government payments to producers would be reduced from 55.2% of the total in 1934 and 54% in 1935 to 51.6% for the 1936 crop. The processors' share would be increased from 44.8% in 1934 and 46% in 1935 to about 48% for the 1936 crop. It is then estimated that, without the tax at the rate suggested, the net income of the processors, expressed as a percentage of their stated capital and surplus, would increase from 8.5% in 1934 to between 12 and 16% in 1936,

whereas the estimated return with such a tax in effect would be between 8 and 10%.

In summary, if the excise tax on sugar is not put into effect and the quota system is continued, the Government's revenues would be curtailed as indicated above at the same time as the returns of processors would be increased to between 12 and 16% of their stated capital and surplus. Such a situation, if continued, in addition to the great improvement in conditions in the sugar industry since adoption of the sugar quota system and production adjustment, would seem to require consideration of action under Section 13 of the Agricultural Adjustment Act, as amended. This section sets forth the conditions under which any of the provisions of the Act with respect to any basic commodity may be terminated.

Sincerely yours,

/s/ H. A. Wallace
Secretary

APPENDIX I

Returns to U. S. Treasury from sugar taxes and duties under various conditions, with estimated effects on returns to sugar-beet growers and processors

Year (calendar, crop, or fiscal, as indicated)	Average prices of cane sugar at New York		Net return from sale of beet sugar ³ (crop-year basis)	Return to sugar-beet growers per ton of beets harvested		
	Cuban 90° raw-duty paid ¹ (calendar-year basis)	Refined granulated ² (calendar-year basis)		Processor payments ⁴	Government payments	Total return
1925-----	\$4.33	\$5.41	\$4.70	\$6.39	-----	\$6.39
1926-----	4.34	5.31	5.30	7.61	-----	7.61
1927-----	4.73	5.68	5.10	7.67	-----	7.67
1928-----	4.23	5.40	4.50	7.11	-----	7.11
1929-----	3.77	4.80	4.29	7.08	-----	7.08
1930-----	3.39	4.46	3.90	7.14	-----	7.14
1931-----	3.33	4.30	3.43	5.94	-----	5.94
1932-----	2.93	3.82	3.68	5.26	-----	5.26
1933-----	3.21	4.20	3.60	5.13	-----	5.13
1934-----	3.00	4.38	3.50	5.16	\$1.75	\$6.91
Estimated:						
1935-----	3.23	4.50	3.90	5.85	\$ 1.05	\$6.90
1936 ⁷ -----	3.75	13 4.60-4.80	14 4.25	13 6.38	\$ 1.60	7.98
1936 ⁹ -----	3.75	10 4.60-4.80	14 4.25	13 6.38	11, 40	6.78
1936 ¹² -----	3.25	13 4.60-4.80	14 3.75	13 5.63	\$ 1.60	7.23
1936 ¹⁶ -----	3.25	13 4.60-4.80	14 3.75	13 5.63	17 1.12	\$6.75
1936 ¹⁸ -----	3.25	13 4.60-4.80	14 3.75	13 5.63	11, 40	6.03

Year (calendar, crop, or fiscal, as indicated)	Percent of net return from sale of beet sugar, plus payments by Government, received by—		Net income of a group of beet processors which includes 75 percent of the industry (fiscal year beginning Apr. 1) ²⁰	Net income of same group of beet processors as a percent of capital and surplus (fiscal-year basis) ²⁰	Receipts of U. S. Treasury from taxes and import duties on sugar ²¹
	Growers	Processors			
1925-----	55.3	44.7	-----	Percent	\$124
1926-----	58.4	41.6	-----		140
1927-----	53.7	46.3	\$4,414,508	3.70	124
1928-----	53.0	47.0	8,530,230	6.85	113
1929-----	60.0	40.0	5,773,027	4.69	124
1930-----	70.4	29.6	-6,290,761	-6.08	112
1931-----	60.6	39.4	-4,670,089	-4.41	94
1932-----	48.1	51.9	2,070,481	1.89	71
1933-----	48.0	52.0	10,724,605	10.03	63
1934-----	55.2	44.8	9,322,251	8.51	69
Estimated:					
1935-----	54.1	45.9	8,750,000-9,750,000	8.0-9.0	23
1936 ⁷ -----	55.6	44.6	13,500,000-18,000,000	12.5-16.5	8
1936 ⁹ -----	51.6	48.4	13,500,000-18,000,000	12.5-16.5	36
1936 ¹² -----	56.3	43.7	9,000,000-11,000,000	8.0-10.0	74
1936 ¹⁶ -----	54.6	45.4	9,000,000-11,000,000	8.0-10.0	83
1936 ¹⁸ -----	51.8	48.2	9,000,000-11,000,000	8.0-10.0	102

¹ Sources: For 1925-33 U. S. Tariff Commission Report No. 73. For 1934-35 data compiled by Sugar Section. These data are for the calendar years indicated.

² Sources: Same as in footnote 1 above, for average quoted prices which were corrected by Sugar Section to find the average actual sales prices recorded here. The prices for 1934-35 include the tax. These data are for the calendar years indicated.

³ Sources: For 1928-32 from Sugar Section, data taken from form SS-12 for 1926-28 and 1933-35 estimated by Sugar Section on the basis of the relationship to cane-sugar prices in the period 1929-32. Selling expenses and processing taxes paid are deducted from the gross selling price of beet sugar to find the net return recorded here which is divided between processors and growers in accordance with the terms of the contract. It should be noted that these data are not for calendar years but represent the net return from the sale of beet sugar manufactured from beets grown during the calendar year indicated. The selling period for beet sugars under the processor-grower contract extends from the 1st of October of the year in which the crop is produced to September 30 of the following year.

⁴ Sources: For 1926-34 from table 137, Yearbook of Agriculture, 1935.

⁵ Payment for the 1934 crop and estimated payment for the 1935 crop by the Agricultural Adjustment Administration of obligations under former production adjustment contracts.

(Footnotes continued on next page)

APPENDIX I

(Footnotes Continued)

⁶ Parity price for the 1934 sugar-beet crop was \$6.79 per ton. A payment of \$1.75 was made on the basis of an estimate of \$5.04 to be received by growers from processors. Parity price for the 1935 crop was \$6.90. It is estimated that under the former production adjustment contract, parity price for the 1936 crop would have been approximately \$6.75 per ton.

⁷ No tax 12.5 cents (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) agricultural conservation payment; and 37.5 cents (equal to \$1.20 per ton of beets or 60 cents per ton of Louisiana sugarcane) conditional payment, this being the difference between the tax and the agricultural conservation payment.

⁸ This estimate is composed of an agricultural conservation payment of 40 cents per ton plus a conditional payment of \$1.20 per ton, the sum of which is the equivalent of 50 cents per hundred pounds sugar, raw value.

⁹ No tax; no payment other than 12.5 cents per hundred pounds of sugar, raw value (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) under the Soil Conservation and Domestic Allotment Act.

¹⁰ This price equals the average price of duty-paid raw sugar for March and April 1936.

¹¹ Estimated payment under the Soil Conservation and Domestic Allotment Act for agricultural conservation in connection with sugar-beet production.

¹² 50-cent tax; 12.5 cents (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) agricultural conservation payments; and 37.5 cents (equal to \$1.20 per ton of beets or 60 cents per ton of Louisiana sugarcane); conditional payment, this being the difference between the tax and the agricultural conservation payment.

¹³ This estimate is based upon the assumption that the price of raw sugar duty-paid would be approximately \$3.75, in the absence of a processing tax, and that the refiners' margin would fall within a range of 85 cents to \$1.05.

¹⁴ Estimated on the assumption that a net actual selling price of from \$4.60 to \$4.80 for refined cane sugar will prevail and that a differential between the net return from the refined beet sugar and refined cane sugar will be close to 45 cents per hundred pounds, which corresponds approximately to such average differential for the crop years 1929-33 inclusive.

¹⁵ These estimates are made on the assumption that 300 pounds of refined beet sugar is recovered per ton of sugar beets and that under the processor-grower contract the grower will receive approximately 50 percent of the net return from the sale of the sugar after deducting all selling expenses and any processing or excise tax paid.

¹⁶ 50-cent tax; 12.5 cents (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) agricultural conservation payment; and 24 cents (equal to 72 cents per ton of beets or 36 cents per ton of Louisiana sugarcane) conditional payment, this being the estimated amount required to give growers "parity price" for the 1936 crop.

¹⁷ The estimated payment of 40 cents for agricultural conservation plus an additional payment of 72 cents per ton that would be required to bring the grower's total return up to an amount equal to what is estimated would have been the parity price for the 1936 crop of sugar beets under the former production adjustment contract.

¹⁸ 50-cent tax; no payment other than 12.5 cents per hundred pounds of sugar, raw value (equal to 40 cents per ton of beets or 20 cents per ton of Louisiana sugarcane) under the Soil Conservation and Domestic Allotment Act.

¹⁹ These estimates assume approximate continuation of the prices and processing taxes that existed in 1935.

²⁰ Sources: Moody's Manual of Industrials and the Manual of Sugar Companies, published by Farr & Co., covering approximately 75 percent of the domestic beet industry. The fiscal year does not coincide with the crop year, but covers the period Apr. 1 to Mar. 30.

²¹ Data for the period 1925-33 represent the gross collections as indicated in U. S. Department of Commerce publication Foreign Commerce and Navigation, less payments for drawbacks.

Data for 1934 represent net import duty collections of \$37,000,000 and processing and compensating tax receipts of \$32,000,000, making a total of \$69,000,000 from which no disbursements for benefit payments were made during calendar year 1934; but payments were made in 1935 on the 1934 crop.

Data for 1935 represent an estimate of net collections of import duties on sugar of \$35,000,000 plus an estimated revenue from processing and compensating taxes on sugar of \$63,000,000, giving a total of \$98,000,000 from which it is estimated disbursements of \$75,000,000 were made as benefit payments on the 1934 and 1935 crops, which would leave an estimated net revenue from taxes and duties for the year 1935 of \$23,000,000.

Data for 1936 include an estimated net revenue from import duties of \$36,000,000 and net proceeds from processing and compensating taxes, if enacted at 50 cents per hundred pounds, raw value, of sugar, of \$66,000,000. From the estimated revenues for 1936 in the various cases there is deducted an amount equal to the payments indicated for the 1936 crop. Two disbursements to be made in 1936 are not deducted, namely, the payments to be made under the provisions of the Supplemental Appropriation Act, fiscal year 1936, of obligations incurred under former production adjustment contracts, and payments to be made under the Soil Conservation and Domestic Allotment Act. Net Treasury receipts, in those cases involving conditional payments, would be approximately \$4,000,000 larger than those shown if the rates suggested in appendix II are adopted.

SAMPLE

The Black Hills Beet Growers' Co-operative Association

Memorandum of Agreement

THIS CONTRACT, entered into this _____ day of _____, 193____, between THE BLACK HILLS BEET GROWERS' CO-OPERATIVE ASSOCIATION, a non-profit membership corporation organized and operating under "The Co-operative Marketing Act" of South Dakota, hereinafter called the Association, and _____ of _____ P. O., County of _____, State of _____, hereinafter called the grower.

WITNESSETH:

That Whereas said Grower is engaged in the production of sugar beets in the State of South Dakota, is now a member of said Association and desires to obtain the advantages of group marketing, for himself as well as other members of the Association, and to that end desires that all sugar beets hereafter to be grown and harvested by him, or for him, during the life of this contract be marketed exclusively through the Association.

NOW, THEREFORE, In consideration of the premises, the stipulations and agreements hereinafter set forth, to be performed by the parties hereto respectively, and in further consideration of substantially similar agreements between the Association and other growers, it is agreed by and between the Association and the Growers as follows:

FIRST: The Grower hereby appoints the Association his sole agent for the purpose of marketing or negotiating a contract for the sale of all sugar beets to be grown and harvested by him, or for him, or on lands leased by him to tenants or otherwise acquired by him, within the State of South Dakota, during the life of this contract, and the Grower agrees to market all such sugar beets exclusively through the Association; PROVIDED, HOWEVER, in the event a reasonable and satisfactory contract for the sale of such beets, as herein defined, has not been obtained prior to April 1, of each year, the grower may on and after said date contract for the sale of sixty per cent of his beets to be grown in such year, and the Association shall have the exclusive right to contract for the sale and marketing of the remaining forty per cent of such beets, whenever and wherever, a market can be found which is reasonable and satisfactory as hereinafter provided.

SECOND: This contract shall not deprive the Grower of absolute and entire control over his crop production and the acreage thereof, but all sugar beets grown and harvested by him, or for him, or on lands leased by him to tenants or otherwise acquired by him, in whatever amount, shall be subject to this contract; and if any restriction of production of sugar beets should result by reason of the terms of this contract, such restriction is hereby declared and agreed to be a mere incidental restriction necessary to an orderly and profitable collective marketing of such sugar beets as are grown and marketed by the members of the Association.

THIRD: The Association, during each year shall market or negotiate a contract for the sale of all sugar beets to be grown and harvested by or for the Grower, whenever and wherever a market can be found therefor which, in the conclusive judgment and discretion of the Association, acting through its Board of Directors, is reasonable and satisfactory for marketing the sugar beets of members of the Association collectively, but upon the express understanding and agreement that the Association shall not so market or negotiate a contract which in the conclusive judgment of the Board of Directors is not fair and profitable to the members of the Association as a whole.

FOURTH: This contract shall continue in full force and effect for a period of ten years from date hereof; provided, however, that either the Association or the Grower, by written notice duly delivered to the other on or between the first day of August and the first day of September of any year after the calendar year of execution of this contract may terminate the same for the years subsequent to said notice as of the first day of January next following.

FIFTH: The Association shall have the right to negotiate and enter into a contract for the sale and marketing of all sugar beets to be grown and harvested by the Grower, or for him, or on lands leased by him to tenants or otherwise acquired by him, for a period not in excess of three years in advance, and such negotiation or sale shall not be deemed to prejudice the rights or interests of the Grower or to effect his release from this contract, but nothing herein contained shall prevent the Grower from terminating this contract at the time and in the manner herein provided.

SIXTH: The Grower shall pay to the Association annually as dues not to exceed three cents (3c) per ton on all beets grown and harvested by him, or for him, or on lands leased by him to tenants or otherwise acquired by him, each year during the life of this contract, the amount of such dues to be annually determined by the Board of Directors and to be at the same rate per ton as to all growers, fifty cents of which is for a year's subscription to a beet grower publication, and the Grower hereby assigns the said amount of such dues to the Association and authorizes and directs the purchaser of such beets to deduct same from the proceeds of his sugar beets at each pay-day and to pay the same to the Association.

SEVENTH: The Grower fully understands that this contract is one of a series generally similar in substance between the Association and Growers, comprising with all such agreements signed by individual Growers and otherwise, one single contract between the Association and said Growers, mutually, individually, collectively and annually obligated under all the terms thereof; that the Association shall be deemed to be acting in its own name for and in behalf of all such Growers in carrying out the provisions of this contract or in any actions or legal proceedings arising out of this contract; that the Association cannot carry out the objects and perform the functions for which it was created unless all Growers strictly and fully comply with and perform the terms and provisions of their respective contracts; that the Association has a special and valuable interest in the faithful performance of this contract by the Grower; that the Association and the Grower represented thereby and contracting therewith will be materially damaged by breach of this contract by the Grower, and that the amount of such damage is uncertain and difficult to ascertain.

It is therefore agreed that in the event the Grower sells or otherwise disposes of any sugar beets grown and harvested by him, or for him, or on lands leased by him to tenants or otherwise acquired by him, except upon the terms and conditions approved by the Association, the damages thereby sustained by the Association are hereby estimated and agreed upon as one dollar a ton for all beets so wrongfully sold or disposed of by the Grower, which sum shall be awarded as liquidated damages, and not as a penalty, in any action brought by the Association to recover damages for breach of this agreement by the Grower, should the Association elect to bring such action. However, the Association may avail itself of other remedies provided by law.

EIGHTH: It is further agreed that the cancellation of any other similar contract or contracts with Growers, either by the Association or by process of law, or the release of any other Grower or Growers under such contracts, or the failure of other Growers to comply with the terms of their contracts, shall not effect the release of the Grower from the terms of this contract.

NINTH: It is hereby declared in the interest of good husbandry, having due regard for proper rotation of crops, maintenance of proper soil fertility, prevention of disease and injurious effects of a one-crop system, that not more than twenty-five per cent (25%) of the cultivable land of that Grower should be used annually for production of sugar beets which amount shall constitute one hundred per cent (100%) acreage as the basis of computation under the terms of paragraph "First" of this contract.

TENTH: The Association by and through its authorized representatives shall have the right to enter upon the premises of any member for the purpose of determining whether the terms of this contract have been or are being complied with.

ELEVENTH: The Association shall have the right and power through its Board of Directors to form, join, enter into, or contract with any intrastate, interstate and/or national co-operative organization engaged in the marketing of sugar beets or other crops.

TWELFTH: It is mutually agreed that there are no oral agreements, promises, covenants, or representations made to or with the Grower as an inducement to enter into this contract, and that all agreements and representations are contained in the written terms hereof and that no modifications of this contract shall be recognized by either party to this contract.

THIRTEENTH: All prior contracts heretofore entered into between the Association and this Grower are hereby set aside and held for naught.

FOURTEENTH: The Grower makes this contract with the Association subject to all contracts of the Grower now outstanding for sale or marketing of any sugar beets mentioned herein, and the obligations of the Grower under such contracts are hereby recognized; but the Grower agrees that paragraph six shall apply to said sugar beets.

FIFTEENTH: Any lease or cropping contract which is hereafter made by Grower as to any land of Grower or under control of Grower, and under which sugar beets are or may be grown, shall be subject to the terms of this agreement, and all sugar beets produced under such lease or cropping contract shall be deemed covered by this agreement; and the Grower shall require the tenant or cropper to the extent of his lease or cropping contract to become a member of the Association and to execute this contract with the Association.

SIXTEENTH: The terms of paragraph 14 shall apply also to any leases or cropping contracts of Grower which are now outstanding.

IN WITNESS WHEREOF, The Association and the Grower have acknowledged this contract in duplicate the day and year first above written.

THE BLACK HILLS BEET GROWERS' CO-OPERATIVE ASSOCIATION,

By _____ President

_____ Grower

Address _____

No. of Acres _____

ORIGINAL

The Idaho Beet Growers Association, Inc.

Memorandum of Agreement

THIS CONTRACT, entered into this _____ day of _____, 19____, between the Idaho Beet Growers Association, Inc., a non-profit membership Idaho corporation organized and operating under "The Co-operative Marketing Act" of Idaho, hereinafter called the Association, and _____ of the factory district of _____ County of _____, State of _____, hereinafter called the Grower.

WITNESSETH:

That Whereas said Grower is engaged in the production of sugar beets in the State of _____, is now a member of said Association and desires to obtain the advantages of group marketing, for himself as well as other members of the Association, and to that end desires that all sugar beets hereafter to be grown and harvested by him, or for him, during the life of this contract be marketed exclusively through the Association.

NOW, THEREFORE, In consideration of the premises, the stipulations and agreements hereinafter set forth, to be performed by the parties hereto respectively, and in further consideration of substantially similar agreements between the Association and other growers, it is agreed by and between the Association and the Grower as follows:

FIRST: The Grower hereby appoints the Association his sole agent for the purpose of marketing or negotiating a contract for the sale of all sugar beets to be grown and harvested by him or for him, or on lands leased by him to tenants or otherwise acquired by him, within the State of _____, during the life of this contract, and the Grower agrees to market all such sugar beets exclusively through the Association; PROVIDED, HOWEVER, in the event of a reasonable and satisfactory contract for sale of such beets, as herein defined, has not been obtained prior to April 1, of each year, the Grower may on and after said date contract for the sale of sixty per cent of his beets to be grown in such year, and the Association shall have the exclusive right to contract for the sale and marketing of the remaining forty per cent of such beets, whenever and wherever, a market can be found which is reasonable and satisfactory as hereinafter provided.

SECOND: This contract shall not deprive the Grower of absolute and entire control over his crop production and the acreage thereof, but all sugar beets grown and harvested by him or for him, or on lands leased by him to tenants or otherwise acquired by him, in whatever amount, shall be subject to this contract; and if any restriction of production of sugar beets should result by reason of the terms of this contract, such restriction is hereby declared and agreed to be a mere incidental restriction necessary to an orderly and profitable collective marketing of such sugar beets as are grown and marketed by the members of the Association.

THIRD: The Association, during each year shall market or negotiate a contract for the sale of all sugar beets to be grown and harvested by or for the Grower, whenever and wherever a market can be found therefor which, in the conclusive judgment and discretion of the Association, acting through its Board of Directors, is reasonable and satisfactory for marketing, the sugar beets of members of the Association collectively, but upon the express understanding and agreement that the Association shall not so market or negotiate a contract which in the conclusive judgment of the Board of Directors is not fair and profitable to the members of the Association as a whole.

FOURTH: This contract shall continue in full force and effect for a period of ten years from date hereof; provided, however, that either the Association or the Grower, by written notice duly delivered to the other, on or between the first day of July and the first day of September of any year after the calendar year of execution of this contract may terminate the same for the years subsequent to said notice as of the first day of January next following.

FIFTH: The Association shall have the right to negotiate and enter into a contract for the sale and marketing of all sugar beets to be grown and harvested by the Grower or for him, or on lands leased by him to tenants or otherwise acquired by him, for a period not in excess of three years in advance, and such negotiations or sale shall not be deemed to prejudice the rights or interests of the Grower or to effect his release from this contract, but nothing herein contained shall prevent the Grower from terminating this contract at the time and in the manner herein provided.

SIXTH: The Grower shall pay to the Association annually as dues not to exceed three cents (3c) per ton on all beets grown and harvested by him or for him, or on lands leased by him to tenants or otherwise acquired by him, each year during the life of this contract, the amount of such dues to be annually determined by the Board of Directors and to be at the same rate per ton as to all Growers, fifty cents of which is for a year's subscription to the official paper or magazine of the Idaho Beet Growers Association, Inc., and the Grower hereby assigns the said amount of such dues to the Association and authorizes and directs the purchaser of such beets to deduct same from the proceeds of his sugar beets at each pay-day and to pay the same to the Association.

SEVENTH: The Grower fully understands that this contract is one of a series generally similar in substance between the Association and Growers, comprising with all such agreements signed by individual Growers and otherwise, one single contract between the Association and said Growers, mutually, individually, collectively and annually obligated under all the terms thereof; that the Association shall be deemed to be acting in its own name for and in behalf of all such Growers in carrying out the provisions of this contract, or in any actions or legal proceedings arising out of this contract; that the Association cannot carry out the objects and perform the functions for which it was created unless all Growers strictly and fully comply with and perform the terms and provisions of their respective contracts; that the Association has a special and valuable interest in the faithful performance of this contract by the Grower; that the Association and the Growers represented thereby and contracting therewith will be materially damaged by breach of this contract by the Grower; and that the amount of such damage is uncertain and difficult to ascertain;

It is therefore agreed that in the event the Grower sells or otherwise disposes of any sugar beets grown and harvested by him, or for him, or on lands leased by him to tenants or otherwise acquired by him, except upon the terms and conditions approved by the Association, the damages thereby sustained by the Association are hereby estimated and agreed upon as one dollar a ton for all beets so wrongfully sold or disposed of by the Grower, which sum shall be awarded as liquidated damages, and not as a penalty, in any action brought by the Association to recover damages for breach of this agreement by the Grower, should the Association elect to bring such action. However, the Association may avail itself of other remedies provided by law.

EIGHTH: It is further agreed that the cancellation of any other similar contract or contracts with Growers, either by the Association or by process of law, or the release of any other Grower or Growers under such contracts, or the failure of other Growers to comply with the terms of their contracts, shall not effect the release of the Grower from the terms of this contract.

NINTH: It is agreed that the Association acting through its Board of Directors, shall, upon request of a majority of its members in any factory district, permit the District Advisory Board of such district to contract separately for the sale or marketing of the sugar beets of such district.

TENTH: It is hereby declared in the interest of good husbandry, having due regard for proper rotation of crops, maintenance of proper soil fertility, prevention of diseases and injurious effects of a one-crop system, that not more than twenty-five per cent (25%) of the cultivable land of the Grower should be used annually for production of sugar beets which amount shall constitute one hundred per cent (100%) acreage as the basis of computation under the terms of paragraph "First" of this contract.

ELEVENTH: The Association by and through its authorized representatives shall have the right to enter upon the premises of any member for the purpose of determining whether the terms of this contract have been or are being complied with.

TWELFTH: The Association shall have the right and power through its Board of Directors to form, join, enter into, or contract with any intrastate, interstate and/or national co-operative organizations engaged in the marketing of sugar beets or other crops.

THIRTEENTH: It is mutually agreed that there are no oral agreements, promises, covenants, or representations made to or with the Grower as an inducement to enter into this contract and that all agreements and representations are contained in the written terms hereof and that no modifications of this contract shall be recognized by either party to this contract.

All prior contracts heretofore entered into between the Association and this Grower are hereby set aside and held for naught.

IN WITNESS WHEREOF, The Association and the Grower have acknowledged this contract in duplicate the day and year first above written.

THE IDAHO BEET GROWERS ASSOCIATION, INC.

By _____, President

_____, Grower

No. of Acres _____

Address _____

ORIGINAL

The Southern California Beet Growers Association Ltd.

Memorandum of Agreement

THIS CONTRACT, entered into this _____ day of _____, 193____, between THE SOUTHERN CALIFORNIA

BEET GROWERS ASSOCIATION LTD. a non-profit membership California corporation organized and operating under "The Co-operative Marketing

Act" of California, hereinafter called the Association, and _____ of the Factory district of _____

County of _____ State of California hereinafter called the Grower.

WITNESSETH:

That Whereas said Grower is engaged in the production of sugar beets in the State of California, is now a member of said Association and desires to obtain the advantages of group marketing, for himself as well as other members of the Association, and to that end desires that all sugar beets hereafter to be grown and harvested by him, or for him, during the life of this contract be marketed exclusively through the Association.

NOW, THEREFORE, In consideration of the premises, the stipulations and agreements hereinafter set forth, to be performed by the parties hereto respectively, and in further consideration of substantially similar agreements between the Association and other growers, it is agreed by and between the Association and the Growers as follows:

FIRST: The Grower hereby appoints the Association his sole agent for the purpose of marketing or negotiating a contract for the sale of all sugar beets to be grown and harvested by him or for him, on lands leased by him to tenants or otherwise acquired by him, within the State of California, during the life of this contract, and the Grower agrees to market all such sugar beets exclusively through the Association; PROVIDED, HOWEVER, in the event a reasonable and satisfactory contract for sale of such beets, as herein defined, has not been obtained prior to November 1, of each year, the grower may on and after said date contract for the sale of eighty-five per cent of his beets to be grown in such year, and the Association shall have the exclusive right to contract for the sale and marketing of the remaining fifteen per cent of such beets, whenever and wherever, a market can be found which is reasonable and satisfactory as hereinafter provided.

SECOND: This contract shall not deprive the Grower of absolute and entire control over his crop production and the acreage thereof, but all sugar beets grown and harvested by him or for him, on lands leased by him to tenants or otherwise acquired by him, in whatever amount, shall be subject to this contract; and if any restriction of production of sugar beets should result by reason of the terms of this contract, such restriction is hereby declared and agreed to be a mere incidental restriction necessary to an orderly and profitable collective marketing of such sugar beets as are grown and marketed by the members of the Association.

THIRD: The Association, during each year shall market or negotiate a contract for the sale of all sugar beets to be grown and harvested by or for the grower, whenever and wherever a market can be found therefor which, in the conclusive judgment and discretion of the Association, acting through its Board of Directors, is reasonable and satisfactory for marketing the sugar beets of members of the Association collectively, but upon the express understanding and agreement that the Association shall not so market or negotiate a contract which in the conclusive judgment of the Board of Directors is not fair and profitable to the members of the Association as a whole.

FOURTH: This contract shall continue in full force and effect for a period of ten years from date hereof; provided, however, that either the Association or the Grower, by written notice duly delivered to the other, on or between the first day of July and the first day of September of any year after the calendar year of execution of this contract may terminate the same for the years subsequent to said notice as of the thirtieth day of November next following.

FIFTH: The Association shall have the right to negotiate and enter into a contract for the sale and marketing of all sugar beets to be grown and harvested by the Grower or for him, on lands leased by him to tenants or otherwise acquired by him, for a period not in excess of three years in advance, and such negotiation or sale shall not be deemed to prejudice the rights or interests of the Grower or to effect his release from this contract, but nothing herein contained shall prevent the Grower from terminating this contract at the time and in the manner herein provided.

SIXTH: The Grower shall pay to the Association annually as dues not to exceed three cents (3c) per ton on all beets grown and harvested by him or for him, on lands leased by him to tenants or otherwise acquired by him, each year during the life of this contract, the amount of such dues to be annually determined by the Board of Directors and to be at the same rate per ton as to all growers, fifty cents of which is for a years subscription to a beet grower publication, and the Grower hereby assigns the said amount of such dues to the Association and authorizes and directs the purchaser of such beets to deduct same from the proceeds of his sugar beets at each pay-day and to pay the same to the Association.

SEVENTH: The Grower fully understands that this contract is one of a series generally similar in substance between the Association and Growers, comprising with all such agreements signed by individual Growers and otherwise, one single contract between the Association and said Growers, mutually, individually, collectively and annually obligated under all the terms thereof; that the Association shall be deemed to be acting in its own name for and in behalf of all such Growers in carrying out the provisions of this contract or in any actions or legal proceedings arising out of this contract; that the Association cannot carry out the objects and perform the functions for which it was created unless all Growers strictly and fully comply with and perform the terms and provisions of their respective contracts; that the Association has a special and valuable interest in the faithful performance of this contract by the Grower; that the Association and the Growers represented thereby and contracting therewith will be materially damaged by breach of this contract by the Grower, and that the amount of such damage is uncertain and difficult to ascertain;

It is therefore agreed that in the event the Grower sells or otherwise disposes of any sugar beets grown and harvested by him, or for him, on lands leased by him to tenants or otherwise acquired by him, except upon the terms and conditions approved by the Association, the damages thereby sustained by the Association are hereby estimated and agreed upon as one dollar a ton for all beets so wrongfully sold or disposed of by the Grower, which sum shall be awarded as liquidated damages, and not as a penalty, in any action brought by the Association to recover damages for breach of this agreement by the Grower, should the Association elect to bring such action. However, the Association may avail itself of other remedies provided by law.

EIGHTH: It is further agreed that the cancellation of any other similar contract or contracts with Growers, either by the Association or by process of law, or the release of any other Grower or Growers under such contracts, or the failure of other Growers to comply with the terms of their contracts, shall not effect the release of the Grower from the terms of this contract.

NINTH: It is agreed that the Association acting through its Board of Directors, shall, upon the request of a majority of its members in any factory district, permit the District Advisory Board of such district to contract separately for the sale or marketing of the sugar beets or such district.

TENTH: It is hereby declared in the interest of good husbandry, having due regard for proper rotation of crops, maintenance of proper soil fertility, prevention of disease and injurious effects of a one-crop system, that not more than fifty per cent (50%) of the cultivable land of the Grower should be used annually for production of sugar beets which amount shall constitute one hundred per cent (100%) acreage as the basis of computation under the terms of paragraph "First" of this contract.

ELEVENTH: The Association by and through its authorized representatives shall have the right to enter upon the premises of any member for the purpose of determining whether the terms of this contract have been or are being complied with.

TWELFTH: The Association shall have the right and power through its Board of Directors to form, join, enter into, or contract with any intrastate, interstate and/or national co-operative organization engaged in the marketing of sugar beets or other crops.

THIRTEENTH: It is mutually agreed that there are no oral agreements, promises, covenants, or representations made to or with the Grower as an inducement to enter into this contract, and that all agreements and representations are contained in the written terms hereof and that no modifications of this contract shall be recognized by either party to this contract.

All prior contracts heretofore entered into between the Association and this Grower are hereby set aside and held for naught.

IN WITNESS WHEREOF, The Association and the Grower have acknowledged this contract in duplicate the day and year first above written.

THE SOUTHERN CALIFORNIA BEET GROWERS ASSOCIATION LTD.

By _____ President

Grower

Address _____

ORIGINAL

The Mountain States Beet Growers Marketing Association of Montana

Memorandum of Agreement

THIS AGREEMENT, made and entered into this.....day of.....19....., by and between
 THE MOUNTAIN STATES BEET GROWERS MARKETING ASSOCIATION, a non-profit membership Montana Co-oper-
 ative Corporation, hereinafter referred to as THE ASSOCIATION, of the first part and.....
 BEET GROWER of the.....factory district, County of.....
 State of Montana, hereinafter referred to as the GROWER, of the second part, WITNESSETH:

THAT, in consideration of the mutual obligations herein and of the admission of THE GROWER to membership in
 THE ASSOCIATION and in pursuance of the purposes and the articles of incorporation and By-Laws thereof and in
 accordance with similar obligations undertaken by other growers; it is hereby mutually promised and agreed as follows:

FIRST: THE GROWER hereby appoints THE ASSOCIATION his sole agent for the purpose of marketing or
 negotiating a contract for the sale of sugar beets to be grown and harvested by him or for him, within the State of
 Montana during the life of this contract, and THE GROWER agrees to market all such sugar beets exclusively through
 THE ASSOCIATION.

This contract shall not deprive THE GROWER of absolute and entire control over his crop production and the acreage
 thereof, but all sugar beets grown and harvested by him or for him, in whatever amount, shall be subject to this contract.

SECOND: This contract shall continue in full force and effect during each of the years 1930 to 1939, both inclusive;
 PROVIDED, HOWEVER, that either THE ASSOCIATION or THE GROWER, by written notice duly delivered to the
 other on or before the first day of November of any year after 1930 may terminate this contract for the years subsequent
 to said notice, as of the first day of January next following, and time is the essence hereof.

THIRD: THE ASSOCIATION shall endeavor to market said sugar beets for THE GROWER whenever and wherever
 a market may be found which in its judgment shall justify such marketing and shall, if deemed advisable, invite into the
 districts of THE ASSOCIATION other capital and make such other effort as may be deemed wise for the purpose of
 enabling THE GROWER to obtain a fair and profitable price for his beets with the express aim of obtaining not less than a
 50-50 contract, and upon the express understanding and agreement, that it shall not market the same, unless a contract
 shall be obtained therefor, or for such portion thereof as it shall sell, and THE ASSOCIATION shall not be liable for any
 damages that THE GROWER may sustain, provided no sale of beets is made, if in the judgment of THE ASSOCIATION
 the price offered is not satisfactory.

FOURTH: That THE GROWER shall pay to THE ASSOCIATION his pro rata share of all expenses incurred by it
 in the carrying out of the purposes of this agreement not to exceed, however, three cents per ton on all beets covered by
 this contract, the amount to be determined by the Board of Directors, and THE ASSOCIATION shall have a lien upon all
 THE GROWER'S sugar beets during said season for said amount and upon any proceeds therefrom which may be in the
 hands of any sugar company, and this contract shall be deemed an application for membership in THE ASSOCIATION
 and a promise to pay membership fee of Five Dollars (\$5.00) and THE GROWER further promises and agrees not to sell
 or grow or contract to grow any sugar beets in such territory directly or indirectly except under the terms of this contract
 and at a price approved by THE ASSOCIATION.

FIFTH: It is further specifically understood and agreed that this contract is one of many similar contracts between
 THE ASSOCIATION and GROWERS mutually and individually obligated under all of the terms thereof; that THE
 ASSOCIATION shall be deemed to be acting in its own name for and in behalf of all such growers in carrying out the
 provisions of such contracts or in any action or legal proceedings resulting therefrom and that THE ASSOCIATION has a
 special and valuable interest in the faithful performance of this agreement by THE GROWER and that THE ASSOCIATION
 and the growers represented hereby and contracting herewith will be materially damaged by breach of this contract by
 THE GROWER and the amount thereof being uncertain and difficult to ascertain, it is specifically agreed that THE
 GROWER will pay to THE ASSOCIATION, fifty cents a ton as liquidated damage on all beets sold or otherwise disposed
 of by or for him other than in accordance with the terms of this contract, which sum is agreed upon as a reasonable
 damage, and in such breach THE GROWER shall pay all costs, expenses and fees incurred by THE ASSOCIATION in
 bringing any action or proceeding upon this contract. However, THE ASSOCIATION does not hereby waive any other
 remedy, either at law or in equity.

SIXTH: It is further agreed that if the Board of Directors of THE ASSOCIATION shall find it to be of particular
 importance to THE GROWERS comprising one or more factory districts or other acreage groups to be permitted to
 contract the sale of their sugar beets separately from the remaining membership of THE ASSOCIATION, then and in that
 event such growers may so separately contract the sale of their sugar beets upon such terms and conditions, and for such
 period of time, as the Board of Directors of THE ASSOCIATION may fix and determine.

IN WITNESS WHEREOF, THE ASSOCIATION has caused these presents to be signed in its behalf and THE
 GROWER has hereunto set his hand as of the date first hereinabove written.

THE MOUNTAIN STATES BEET GROWERS MARKETING ASSOCIATION,

By.....President

.....Grower

Address.....

Receiving Station.....

DUPLICATE

The Mountain States Beet Growers Marketing Association of Colorado

Memorandum of Agreement

THIS CONTRACT, entered into this _____ day of _____, 198____, between THE MOUNTAIN STATES BEET GROWERS MARKETING ASSOCIATION, a non-profit membership Colorado corporation organized and operating under "The Co-operative Marketing Act" of Colorado, hereinafter called the Association, and _____, of the factory district of _____, County of _____, State of Colorado, hereinafter called the Grower.

WITNESSETH:

That Whereas said Grower is engaged in the production of sugar beets in the State of Colorado, is now a member of said Association and desires to obtain the advantages of group marketing, for himself as well as other members of the Association, and to that end desires that all sugar beets hereafter to be grown and harvested by him, or for him, during the life of this contract be marketed exclusively through the Association.

NOW, THEREFORE, In consideration of the premises, the stipulations and agreements hereinafter set forth, to be performed by the parties hereto respectively, and in further consideration of substantially similar agreements between the Association and other growers, it is agreed by and between the Association and the Grower as follows:

FIRST: The Grower hereby appoints the Association his sole agent for the purpose of marketing or negotiating a contract for the sale of all sugar beets to be grown and harvested by him or for him, or on lands leased by him to tenants or otherwise acquired by him, within the State of Colorado, during the life of this contract, and the Grower agrees to market all such sugar beets exclusively through the Association; PROVIDED, HOWEVER, in the event a reasonable and satisfactory contract for sale of such beets, as herein defined, has not been obtained prior to April 1, of each year, the Grower may on and after said date contract for the sale of sixty per cent of his beets to be grown in such year, and the Association shall have the exclusive right to contract for the sale and marketing of the remaining forty per cent of such beets, whenever and wherever, a market can be found which is reasonable and satisfactory as hereinafter provided.

SECOND: This contract shall not deprive the Grower of absolute and entire control over his crop production and the acreage thereof, but all sugar beets grown and harvested by him or for him, or on lands leased by him to tenants or otherwise acquired by him, in whatever amount, shall be subject to this contract; and if any restriction of production of sugar beets should result by reason of the terms of this contract, such restriction is hereby declared and agreed to be a mere incidental restriction necessary to an orderly and profitable collective marketing of such sugar beets as are grown and marketed by the members of the Association.

THIRD: The Association, during each year shall market or negotiate a contract for the sale of all sugar beets to be grown and harvested by or for the Grower, whenever and wherever a market can be found therefor which, in the conclusive judgment and discretion of the Association, acting through its Board of Directors, is reasonable and satisfactory for marketing the sugar beets of members of the Association collectively, but upon the express understanding and agreement that the Association shall not so market or negotiate a contract which in the conclusive judgment of the Board of Directors is not fair and profitable to the members of the Association as a whole.

FOURTH: This contract shall continue in full force and effect for a period of ten years from date hereof; provided, however, that either the Association or the Grower, by written notice duly delivered to the other, on or between the first day of July and the first day of September of any year after the calendar year of execution of this contract may terminate the same for the years subsequent to said notice as of the first day of January next following.

FIFTH: The Association shall have the right to negotiate and enter into a contract for the sale and marketing of all sugar beets to be grown and harvested by the Grower or for him, or on lands leased by him to tenants or otherwise acquired by him, for a period not in excess of three years in advance, and such negotiation or sale shall not be deemed to prejudice the rights or interests of the Grower or to effect his release from this contract, but nothing herein contained shall prevent the Grower from terminating this contract at the time and in the manner herein provided.

SIXTH: The Grower shall pay to the Association annually as dues not to exceed three cents (3c) per ton on all beets grown and harvested by him or for him, or on lands leased by him to tenants or otherwise acquired by him, each year during the life of this contract, the amount of such dues to be annually determined by the Board of Directors and to be at the same rate per ton as to all Growers, fifty cents of which is for a years subscription to the Mountain States Beet Grower, and the Grower hereby assigns the said amount of such dues to the Association and authorizes and directs the purchaser of such beets to deduct same from the proceeds of his sugar beets at each pay-day and to pay the same to the Association.

SEVENTH: The Grower fully understands that this contract is one of a series generally similar in substance between the Association and Growers, comprising with all such agreements signed by individual Growers and otherwise, one single contract between the Association and said Growers, mutually, individually, collectively and annually obligated under all the terms thereof; that the Association shall be deemed to be acting in its own name for and in behalf of all such Growers in carrying out the provisions of this contract or in any actions or legal proceedings arising out of this contract; that the Association cannot carry out the objects and perform the functions for which it was created unless all Growers strictly and fully comply with and perform the terms and provisions of their respective contracts; that the Association has a special and valuable interest in the faithful performance of this contract by the Grower; that the Association and the Growers represented thereby and contracting therewith will be materially damaged by breach of this contract by the Grower, and that the amount of such damage is uncertain and difficult to ascertain.

It is therefore agreed that in the event the Grower sells or otherwise disposes of any sugar beets grown and harvested by him, or for him, or on lands leased by him to tenants or otherwise acquired by him, except upon the terms and conditions approved by the Association, the damages thereby sustained by the Association are hereby estimated and agreed upon as one dollar a ton for all beets so wrongfully sold or disposed of by the Grower, which sum shall be awarded as liquidated damages, and not as a penalty, in any action brought by the Association to recover damages for breach of this agreement by the Grower, should the Association elect to bring such action. However, the Association may avail itself of other remedies provided by law.

EIGHTH: It is further agreed that the cancellation of any other similar contract or contracts with Growers, either by the Association or by process of law, or the release of any other Grower or Growers under such contracts, or the failure of other Growers to comply with the terms of their contracts, shall not effect the release of the Grower from the terms of this contract.

NINTH: It is agreed that the Association, acting through its Board of Directors may permit its members comprising one or more factory districts or acreage groups to contract separately for the sale or marketing of their sugar beets upon terms and conditions and for such periods of time as the Board of Directors of the Association may fix or designate.

TENTH: It is hereby declared in the interest of good husbandry, having due regard for proper rotation of crops, maintenance of proper soil fertility, prevention of disease and injurious effects of a one-crop system, that not more than twenty-five per cent (25%) of the cultivable land of the Grower should be used annually for production of sugar beets, which amount shall constitute one hundred per cent (100%) acreage as the basis of computation under the terms of paragraph "First" of this contract.

ELEVENTH: The Association by and through its authorized representatives shall have the right to enter upon the premises of any member for the purpose of determining whether the terms of this contract have been or are being complied with.

TWELFTH: The Association shall have the right and power through its Board of Directors to form, join, enter into, or contract with any intrastate, interstate and/or national co-operative organizations engaged in the marketing of sugar beets or other crops.

THIRTEENTH: It is mutually agreed that there are no oral agreements, promises, covenants, or representations made to or with the Grower as an inducement to enter into this contract, and that all agreements and representations are contained in the written terms hereof and that no modifications of this contract shall be recognized by either party to this contract.

All prior contracts heretofore entered into between the Association and this Grower are hereby set aside and held for naught.

IN WITNESS WHEREOF, The Association and the Grower have acknowledged this contract in duplicate the day and year first above written.

THE MOUNTAIN STATES BEET GROWERS MARKETING ASSOCIATION,

by _____ President

_____ Grower

Address _____

No. of Acres _____

EXHIBIT 5
MEMORANDUM OF AGREEMENT—SEASON 1938

Form 8720—1500—3-38

Between _____ and _____ Grower
AMERICAN CRYSTAL SUGAR COMPANY
Missoula District

1. The Grower agrees to prepare land for, plant, block, thin, cultivate, irrigate, harvest and deliver during the season 1938 in compliance with the directions of the Company, as may be given from time to time, _____ acres of sugar beets on the following described lands, to wit: _____

_____ quarter,
Section, _____ Township _____ Range _____ County, Montana,

but in no event shall the Company be liable to the Grower for partial or complete failure of crop or for any injury or damage to beets, nor shall the Company be held liable for the inefficiency, or for any acts or omissions, of any beet workers which it may be instrumental in securing for the Grower, or for its failure to secure such workers, or for any beet worker's failure to carry out his agreement with the Grower, it being understood that the Grower shall be wholly and solely responsible therefor.

2. The Grower agrees that the seed used shall be only that furnished by the Company, for which the price shall be fourteen cents (14¢) per pound. Any seed furnished by the Company shall constitute an advance payment for beets to be accounted for in the first settlement. In order to obtain credit therefor, unused seed must be returned to the Company in good condition not later than July 1, 1938.

The Grower agrees to plant the acreage covered by this contract before June first of the crop year herein specified unless the Company, through its fieldman, gives written consent to plant after that date. The Grower further agrees not to use more water in the irrigation of his crop than necessity demands properly to develop the beet plant. Also that he will not irrigate the beets grown hereunder after September twentieth without written consent of the Company, through its fieldman.

3. The Grower agrees that all beets grown by him will be harvested and delivered to the Company, as and when directed, at the factory or in cars at designated receiving stations of the Company, by wagon or truck, such wagon or truck to conform to the capacity of the wagon scales furnished by the Company. He further agrees that all beets grown and delivered by him shall be properly topped at the base of the bottom leaf in the case of medium or small sized beets, and with the crown trimmed up at a thirty degree angle from the base of the bottom leaf in the case of beets having a diameter of four inches or more. All beets delivered hereunder shall be free from excess dirt, stones, trash, and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare. The Grower agrees that he will protect the beets from sun and frost after removal from the ground. The Company has the option of rejecting any diseased, frozen or damaged beets, or beets less than twelve per cent. (12%) sugar, or less than eighty per cent. (80%) purity, or beets which in its opinion are not suitable for the manufacture of sugar, or beets as to which in its opinion the terms and conditions of this contract have not been properly complied with.

4. All beets grown under this contract and delivered to and accepted by the Company at the factory or designated receiving stations, in good condition in accordance with the terms of this contract, will be paid for on the following basis:

The price per net ton of beets delivered hereunder to the Company shall be determined on the average sugar content of all beets sliced at the Missoula factory during the 1938 campaign, and the average net return as hereinafter defined, received by the Company for sugar sold from the Missoula, Montana factory of the Company during the period of twelve months, beginning October 1, 1938, as per the following table:

Average Net Return Rec'd for Sugar per Pound	PER CENT SUGAR IN BEETS							
	18.5	18.0	17.5	17.0	16.5	16.0	15.5	15.0
6 cents	10.15	9.83	9.51	9.19	8.89	8.59	8.29	7.98
5½ "	9.85	9.06	8.77	8.47	8.20	7.92	7.64	7.36
5 "	8.56	8.29	8.02	7.75	7.50	7.24	6.99	6.73
4½ "	8.16	7.90	7.65	7.39	7.15	6.90	6.66	6.42
4 "	7.76	7.52	7.28	7.03	6.80	6.57	6.34	6.10
3½ "	7.17	6.94	6.72	6.49	6.28	6.06	5.85	5.64
4 "	6.57	6.36	6.16	5.95	5.75	5.56	5.36	5.17

Intermediate sugar prices and beet tests in the same relative proportion as reflected in the interval in which such fluctuations occur. If sugar prices or sugar contents are higher or lower than those shown in the foregoing schedule, the settlement figure for such beets shall be increased or decreased proportionately, using the immediately succeeding or preceding interval, as the case may be, as the basis for calculation, provided also that if the net return for sugar should fall below \$3.25 per hundred, in such event the price per ton of beets hereinbefore fixed by this paragraph shall be further decreased in the proportion of one per cent. (1%) for each five cents (5¢) of decrease in the net return per one hundred pounds of sugar below \$3.25.

The net return as aforesaid during said period shall be determined by a Certified Public Accountant, chosen by the Company, (whose determination shall be final) by deducting from the gross sales price all such charges and expenditures as are regularly and customarily deducted from gross sales price of sugar, in accordance with the Company's system of accounting heretofore established, showing net returns from sugar sold, after deducting also all excise, sales and other taxes either now or hereafter imposed directly or indirectly on, or arising out of, the production, possession, holding for sale, sale or shipment of such sugar, or on all or any part of the proceeds of such sales.

The Grower may, at his own expense, have representatives (Weighman, Tareman and Chemist) in scale house, tare room and laboratory, to inspect weights and work done, such representatives to be experienced in the line of work to be performed, and satisfactory to the Company.

5. It is understood and agreed that the Company will pay all freight charges on beets delivered by the railroad to and including a rate of one dollar (\$1.00) a ton, but the Grower will be charged with all freight in excess of that rate per ton of beets shipped to the Missoula factory from stations where the rates are in excess of one dollar (\$1.00) per ton.

6. Settlements will be made as follows:

On the 15th day of November, 1938, settlement will be due for all beets delivered up to and including October 31. The settlements will be made on due date or not later than ten days thereafter. The foregoing settlements will be made at as high an amount per ton as may be justified in the judgment of the Company based upon the average factory test of the cosettes and the Company's estimate of the net returns to be received by it for the entire production of sugar at Missoula, Montana, from the 1938 beet crop. Further settlements will be made on the aforesaid price of beets from time to time and in such amounts as the Company may deem to be justified by market conditions and quantity of sugar sold. Final settlement to be made not later than October 20, 1939.

7. It is agreed that the amount charged for all beet seed furnished by the Company to the Grower hereunder, as well as any and all advances made to the Grower by the Company on account of the crop to be grown hereunder, for fertilizer, insecticides, machinery, labor and/or equipment, and any and all other indebtedness whatsoever at any time due or owing by the Grower to the Company, shall be considered as, and shall constitute, part payment to the Grower on all beets raised by the Grower hereunder, and shall be deducted from the purchase price thereof.

8. The Company agrees to give the Grower priority of right in the purchase, for his own use, of twenty per cent. (20%) of the net weight of his beets in pulp, provided he makes written application prior to November 1, 1938.

9. The Grower agrees not to assign this contract without the written consent of the Company.

10. Fire, strikes, accidents, acts of God and of the public enemy, or causes beyond the control of the parties which prevent the Grower from the performance of this contract or the Company from utilizing the beets contracted for in the manufacture of sugar therefrom at its Missoula, Montana factory, shall excuse the respective parties hereto from the performance of this contract.

11. The Grower agrees to comply with any and all regulations or rulings in regard to child labor which may be prescribed by any duly authorized governmental authority.

12. It is understood and agreed that if any governmental authority shall establish any restriction, allotment or quota upon the growing, production or processing of beets or the output, transportation or sale of beet sugar, then the Company may reduce to the extent which it deems necessary the acreage of beets herein contracted for, and shall be obligated to purchase beets only from such reduced acreage.

13. No agent of the Company has any authority to change, waive or modify any of the terms or provisions of this contract.

Dated _____

Receiving Station _____

Executed in duplicate originals this _____ day of _____, 1938

THE AMERICAN CRYSTAL SUGAR COMPANY

Grower

By _____ Grower

Acres..... No.....

AMERICAN CRYSTAL SUGAR COMPANY
Missoula Factory
ONE YEAR
BEET CONTRACT
With

Date.....

P. O. Address.....

R. F. D. No..... Box No.....

County.....

Delivers at.....
Dump

..... 1/4 Sec.....

Twp..... Range.....

Land Owner.....

P. O. Address.....

Cash or Crop Rental.....

No. Bags Fertilizer.....

MEMORANDUM OF AGREEMENT

TRIPPLICATE

BETWEEN

SEASON OF 1938
UTAH DISTRICT

(Hereinafter called THE GROWER)
AND

THE AMALGAMATED SUGAR COMPANY

(Hereinafter called
THE COMPANY)

For delivery of Sugar Beets atReceiving Station

WITNESSETH, that for and in consideration of the mutual covenants and payments hereinafter set out, the respective parties hereto mutually undertake and agree as follows, to-wit:

1. The Grower shall grow, during the year 1938, from seed supplied by The Company only,acres of sugar beets and shall sell and deliver the entire crop therefrom, to The Company, and The Company shall buy and pay for the same upon the terms and conditions hereinafter set forth, but in no event shall The Company be held liable in damages for any failure or partial failure of crop, or any injury or damage to beets.

2. The Grower shall prepare and cultivate all beet lands and harvest the beets thereon in a farmerlike manner, and shall deliver said beets with the tops squarely cut off at the base of the bottom leaf in the case of medium or small sized beets, and with the crown trimmed up at a 30 degree angle from the base of the bottom leaf in the case of beets having a diameter of four inches or more. All beets delivered hereunder shall be free from excess dirt, stones, trash, and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare, and a distinct evidence of leaf scar is to be left after-top tare is taken. The Grower shall protect the beets from sun and frost after removal from the ground, and shall keep all livestock out of beet fields until after beets are harvested. The Company shall furnish the beet seed necessary for the planting of said land at a cost to The Grower of fourteen (14) cents per pound, and not less than fifteen (15) pounds shall be planted to the acre. The seed furnished by The Company shall not be planted upon land not contracted to The Company. Any seed furnished by The Company and not planted may be returned in good order to The Company not later than July 1st, 1938, whereupon The Grower shall be credited therefor.

3. The Company has the privilege, at various times during the growing and harvesting season, to ascertain the quality of beets grown under this contract, by causing such beets to be sampled and polarized.

4. The Grower agrees to deliver, at his own expense, all beets grown when and as directed by The Company up to and including October 15th, 1938. Thereafter The Grower may, without further notification, deliver, at his own expense, all previously unharvested beets, provided, however, that The Company, at its option, may reject any diseased, frozen, damaged, or improperly topped beets, as well as beets not suitable for the manufacture of sugar, or which contain less than twelve per cent (12%) sugar, or less than eighty per cent (80%) purity, or any beets not delivered by November 20th, 1938, except those siloed and delivered as directed. In the event of a shortage of cars after October 15th, 1938, causing serious delay to The Grower, The Grower will deliver his beets in piles seven feet (7 ft.) high under the direction of The Company.

5. All wagon boxes and truck bodies used in delivering beets shall be constructed with tight bottoms and tight hinges connecting the side boards with the box or body to prevent the spilling of any dirt when the beets are being unloaded. The weight of the dirt and trash delivered with the beets shall be deducted in the customary manner, and The Company shall exercise reasonable diligence to prevent the co-mingling of dirt and trash spilled from one load with that from another.

6. The Company will pay per net ton of beets delivered and accepted by it, for its Utah factories an amount which shall be determined as follows:

(a) Fifty (50) per cent of the sum of the amounts calculated according to (b) and (c) shall be divided by the total net tons of beets delivered and accepted by The Company for its Utah factories and the rate per ton so determined shall be the total amount per ton payable to Growers.

(b) The net return (as defined in paragraph 7) per one hundred (100) pounds of sugar received by The Company between October 1, 1938, and September 30, 1939, on all sales of sugar produced by The Company shall be applied to the total bags of one hundred (100) pounds each of non-Steffen sugar (as defined in paragraph 8) by its Utah factories to arrive at the total value of sugar to be divided.

(c) The value of non-Steffen molasses produced shall be determined by applying the value per ton (as defined in paragraph 9) to the non-Steffen production expressed in short tons (as defined in paragraph 10).

7. The net return on sugar sold as aforesaid during said period shall be determined by deducting from the gross sales price, all such charges and expenditures as are regularly and customarily deducted from gross sales price of sugar, in accordance with The Company's system of accounting heretofore established, showing net receipts from sugar sold, after deducting also all excise, sales and other taxes either now or hereafter imposed directly or indirectly on or arising out of the production, possession, holding for sale, sale or shipment of such sugar or on all or any part of the proceeds of such sale.

8. The total bags of one hundred (100) pounds each of non-Steffen sugar shall be determined by deducting from the actual number of bags of sugar produced by The Company's Utah factories an amount equal to the number of bags of sugar obtained by multiplying the actual tons of molasses worked in the Steffen process by seven (7).

9. The value of non-Steffen molasses produced per net ton shall be the price at which Utah beet sugar manufacturing companies purchase foreign molasses for Steffenizing, such price to be f. o. b. seller's plant.

10. The total non-Steffen molasses production shall be determined by applying to the total tons of beets purchased under this contract, the actual net percentage of molasses produced on the total weight of beets purchased at the Ogden factory.

11. An initial payment shall be made on November 15, 1938, for all beets delivered hereunder prior to November 1, 1938, and a like payment per ton shall be made on the 15th day of each calendar month thereafter for beets delivered hereunder during the previous calendar month. The initial payment shall be at the highest rate per ton that The Company may deem to be justified, taking into consideration anticipated returns from the sale of sugar and the value of non-Steffen molasses. Further payments will be made by The Company April 15, 1939, and July 15, 1939, in such amounts as The Company may deem to be justified by the aforesaid conditions and the quantity of sugar sold. Final settlement for beets delivered hereunder shall be made, in accordance with the terms of this contract, not later than October 20, 1939. The Company, at its option, may advance the date of payment for any of the above subsequent settlements whenever sugar markets, prices and other conditions shall warrant.

12. Advances by The Company to The Grower, either in seed, money or otherwise, shall constitute part payment for beets grown and delivered under this agreement, and any moneys or other obligations payable from The Grower to The Company are and shall become, constitute, and remain a prior lien upon the crop of sugar beets herein referred to, and shall be deducted from the initial or any subsequent payments to The Grower. If The Grower is a tenant, his check in payment for beets may be made jointly to the landlord and tenant, unless previously thereto the landlord has made proper release in writing to The Company. If The Grower abandons his beet acreage, any advances made by The Company, either in seed, fertilizer or otherwise, immediately fall due.

13. The Grower may, at his own expense, have representatives in scale house, tare room and/or sugar warehouse to inspect weights and work done and to check total production of sugar, such representatives to be experienced in the line of work to be performed and satisfactory to The Company. The Company will furnish for inspection of growers a certified statement by a certified public accountant, not connected with The Company, of net receipts from sugar sold in accordance with this contract.

14. The Company agrees to give The Grower priority of right in the purchase, for his own use, of twenty per cent (20%) of the net weight of his beets in pulp, provided he makes written application prior to November 1, 1938.

15. The Grower hereby authorizes The Company to deduct from any moneys owing for beets delivered under this contract the sum of two cents (2c) per ton as service charges for the Utah Sugar Beet Cooperative Association for the year 1938, and The Company agrees to pay such sum to said Association unless The Grower notifies The Company in writing at its offices between the 1st and 31st days of August, 1938, both inclusive, not to make such deductions and payment.

16. No agent of The Company is authorized to make any alterations, erasures, or additions to this printed form of contract.

17. This agreement shall be binding upon both The Grower, his heirs, legal representatives and assigns, and upon The Company, its successors and assigns, and shall not be transferable by The Grower without the written consent of The Company, its successors and assigns.

18. Fire, strikes, accidents, acts of God and of the public enemy, or other causes beyond the control of the parties which prevent The Grower from the performance of this contract or The Company from utilizing the beets contracted for in the manufacture of sugar therefrom, shall excuse the respective parties hereto from the performance of this contract, except for repayment to The Company of any advances made by The Company to The Grower, as provided in paragraph 12 hereof,

Executed in triplicate originals thisday of , 1938

THE AMALGAMATED SUGAR COMPANYGROWER

ByManagerGROWER

MEMORANDUM OF AGREEMENT—SEASON 1938

Between _____ and _____, Grower

AMERICAN CRYSTAL SUGAR COMPANY
MASON CITY FACTORY

1. The Grower agrees to prepare land for, plant, block, thin, cultivate, harvest and deliver during the season 1938 in compliance with the directions of the Company, as may be given from time to time, _____ acres of sugar beets on the following described lands, to wit: _____

Section _____ Township _____ Range _____ State of _____

but in no event shall the Company be liable to the Grower for partial or complete failure of crop or for any injury or damage to beets, nor shall the Company be held liable for the inefficiency, or for any acts or omissions, of any beet workers which it may be instrumental in securing for the Grower, or for the failure to secure such workers, or for any beet workers' failure to carry out his agreement with the Grower, it being understood that the Grower shall be solely and solely responsible therefor.

2. The Grower agrees that the acreage contracted hereunder shall be planted after June 1, except by written permission from the Company. The Grower agrees that the seed furnished by the Company, the price of which will be fifteen cents (15c) per pound, and not less than fifteen (15) pounds per acre shall be planted. Any seed furnished by the Company shall constitute an advance payment for beets to be accounted for in the first settlement. In order to obtain credit therefor, unused seed must be returned to the Company in good condition not later than July 1, 1938. The Grower agrees that the acreage contracted hereunder shall not be planted after June 1, except by written permission from the Company.

3. The Grower agrees that all beets grown by him will be harvested and delivered to the Company, as and when directed, at the factory or in cars at designated receiving stations of the Company, by wagon or truck, such wagon or truck to conform to the capacity of the wagon scales furnished by the Company. He further agrees that all beets grown and delivered by him shall be properly topped at the base of the bottom leaf, and shall be free from dirt, stones, trash and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare, and that he will protect the beets from sun and frost after removal from the ground. The Company has the option of rejecting any diseased, frozen or damaged beets, or beets less than twelve per cent. (12%) sugar, or less than eighty per cent. (80%) purity, and conditions of this contract have not been properly complied with.

4. The Grower agrees not to plant heavy muck or peat land to beets, and it is agreed that the Company has the option of rejecting all such beets.

5. All beets grown under this contract and delivered to and accepted by the Company at the factory or designated receiving stations, in good condition in accordance with the terms of this contract, will be paid for on the following basis:

The price per net ton of beets delivered hereunder to the Company shall be determined on the average sugar content of all beets sliced at the Mason City factory during the 1938 campaign, and the combined average net return as hereinafter defined, received by the Company for sugar sold from the Mason City, Iowa, and Chaska, Minnesota, factories of the Company during the period of eleven months, beginning October 1, 1938, as per the following table:

Average Net Return Recd. for Sugar per Lb.	17.5	17.0	16.5	16.0	15.5	15.0	14.5	14.0	13.5
6 cents	9.59	9.06	8.79	8.53	8.26	7.99	7.73	7.46	7.20
5 1/2 "	8.86	8.36	8.12	7.87	7.63	7.38	7.13	6.89	6.64
5 "	8.12	7.67	7.44	7.22	6.99	6.76	6.54	6.31	6.09
4 1/2 "	7.35	7.10	6.89	6.67	6.46	6.24	6.03	5.81	5.60
4 1/4 "	6.64	6.27	6.09	5.90	5.72	5.53	5.35	5.17	4.98
4 "	6.09	5.92	5.75	5.58	5.41	5.24	5.07	4.90	4.73

Intermediate sugar prices and beets tests in the same relative proportion as reflected in the interval in which such fluctuations occur. If sugar prices or sugar contents are higher or lower than those shown in the foregoing schedule, the settlement figure for such beets shall be increased or decreased proportionately, using the immediately succeeding or preceding interval, as the case may be, as the basis for calculation, provided also that if the net return for sugar should fall below \$3.25 per hundred, in such event the price per ton of beets hereinafter fixed by this paragraph shall be further decreased in the proportion of one per cent. (1%) for each five cents (5c) of decrease in the net return per one hundred pounds of sugar below \$3.25.

(whose determination shall be final) by deducting from the gross sales price all such charges and expenditures as are regularly and customarily deducted from gross sales price of sugar, in accordance with the Company's system of accounting herebefore established, showing net return from sugar sold, after deducting also all excises, sales and other taxes either now or hereafter imposed directly or indirectly on, or arising out of, the production, possession, holding for sale, sale or shipment of such sugar, or on all or any part of the proceeds of such sales.

6. It is understood and agreed that the Company will pay all freight charges on beets delivered by railroad to and including a rate of sixty cents (60c) per ton, but the Grower will be charged with all freight in excess of that rate per ton for beets shipped to the Mason City factory from stations where the rates are in excess of sixty cents (60c) per ton.

7. For all beets delivered from the beginning of harvest up to and including October 31, settlement will be made on or about November 15; for all beets delivered after October 31, settlement will be made at a rate per ton as the Company may deem to be justified during the previous calendar month. The settlements will be made at as high a rate per ton as the Company may deem to be just. It for the entire production of sugar at its Mason City, Iowa, and Chaska, Minnesota, factories from the 1938 crop. Further settlements will be made on the aforesaid price of beets from time to time and in such amounts as the Company may deem to be justified by market conditions and quantity of sugar sold. Final settlement to be made not later than September 30, 1939.

8. It is agreed that the amount charged for all beets sold furnished by the Company to the Grower hereunder and all advances made to the Grower by the Company on account of the crop to be grown hereunder, for fertilizer, insecticides, machinery, labor and/or equipment, including advances or payments made to all other growers or any member of his immediate family for labor performed on said crop, and advances for any other purpose, and any and all other indebtedness owing by the Grower to the Company whether due or not, shall be considered as and shall constitute part payment to the Grower on all beets raised by the Grower hereunder to the extent of the amount of such beets sold and advances and other indebtedness, and shall be deducted from the purchase price of said beets, and shall be a first lien thereon and upon said crop.

9. The Grower hereby affirms that he has given no mortgage to any other person on his crop, except as otherwise shown on this contract.

10. The Grower agrees to repay the Company at its office at Mason City, State of Iowa, all advances made by the Company to the Grower, or on his behalf, to assist in the planting, growing and handling of said beets, including advances or payments made to said Grower or any member of his immediate family for labor performed on said crop, together with interest thereon at the rate of seven per cent. (7%) per annum, such advances to be evidenced by promissory notes executed by the Grower to the Company and to be made payable not later than November 15, 1938. To secure the payment of such advances and of any and all notes that may be given to evidence the same, the Grower hereby mortgages and conveys to the Company all beets grown hereunder, and it is agreed that the amount charged for all beets sold furnished by the Company to the Grower hereunder and all advances made to the Grower by the Company on account of the crop to be grown hereunder, for fertilizer, insecticides, machinery, labor and/or equipment, including advances or payments made to all other growers or any member of his immediate family for labor performed on said crop, and advances for any other purpose, and any and all other indebtedness owing by the Grower to the Company whether due or not, shall be considered as and shall constitute part payment to the Grower on all beets raised by the Grower hereunder to the extent of the amount of such beets sold and advances and other indebtedness, and shall be deducted from the purchase price of said beets, and shall be a first lien thereon and upon said crop.

11. The Grower hereby agrees that the American Crystal Sugar Company make a charge against him at the rate hereinafter specified, for each and every chattel mortgage, assignment or order given by him, and either expressly or impliedly directing said Sugar Company to make payment to some third person out of moneys owing to said Grower for beets delivered under this agreement, provided, that if the holder of such chattel mortgage, order or assignment consents that such charge be deducted from the amount of such chattel mortgage, order or assignment then no deduction shall be made against the Grower's balance; the charge for each such instrument shall in no event be less than \$2.00, it being understood between the parties hereto that said Sugar Company is entitled to make such charge in order to reimburse it for extra accounting and other expense necessitated by the handling of such chattel mortgage, order or assignment.

12. The Grower agrees not to assign this contract without the written consent of the Company.

13. Fire, strikes, accidents, acts of God and of the public enemy, or causes beyond the control of the parties which prevent the Grower from the performance of this contract or the Company from utilizing the beets contracted for in the manufacture of sugar therefrom at its Mason City, Iowa, factory, shall excuse the respective parties hereto from the performance of this contract.

14. The Grower agrees to comply with any and all regulations or rulings in regard to child labor which may be prescribed by any duly authorized governmental authority.

15. It is understood and agreed that if any governmental authority shall establish any restriction, allotment or quota upon the growing, production or processing of beets, or the output, transportation or sale of beet sugar, then the Company may reduce to the extent which it deems necessary the acreage of beets herein contracted for, and shall be obligated to purchase beets only from such reduced acreage.

16. No agent of the Company has any authority to change, waive or modify any of the terms or provisions of this contract.

17. The Grower hereby acknowledges that at the time of the making and delivery of this contract and mortgage he received a full, true and complete copy of this contract and mortgage.

Dated _____
Receiving Station _____
Grower _____

AMERICAN CRYSTAL SUGAR COMPANY,

By _____

Witnesses

SS.

State of _____
County of _____
On this _____ day of _____, A. D. 1938, before me personally appeared _____, to me known to be the person named and described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free, voluntary act and deed.

WAIVER OF INTEREST TO CROP PROCEEDS

The undersigned, having an interest in, or lien on, the proceeds of crops raised on lands described in the within contract by virtue of:

- () Chattel mortgage
- () Contract for deed
- Sheriff's Certificate of Sale
- () On mortgage foreclosure
- () On execution

(Check wherein your interest lies), in consideration of the American Crystal Sugar Company entering into a contract with

for the raising of sugar beets on said land, hereby waives the priority of any interest or lien.....may have on the crop

of beets to be raised in 1938 upon the lands described in the contract in favor of lien and claim of the American Crystal Sugar Company, so far as said Company's lien on sugar beets grown on said premises is concerned, for its claim for sugar beet seed and advances for fertilizer, insecticides, machinery, labor, and for equipment and advances for any other purpose in connection with the production and handling of the sugar beet crop as provided in the beet contract, and agrees that the Company's lien shall be superior and prior to the undersigned's interest in or lien on said crop.

(Signature)..... as..... (Owner, Mortgagee, Etc.)

Witness to above: " " " " " "

Subscribed and sworn to before me by the said this..... day of....., 193.....

Notary Public. My Commission Expires....., 193.....

WAIVER OF INTEREST TO CROP PROCEEDS

The undersigned, having an interest in, or lien on, the proceeds of crops raised on lands described in the within contract by virtue of:

- () Chattel mortgage
- () Contract for deed
- Sheriff's Certificate of Sale
- () On mortgage foreclosure
- () On execution

(Check wherein your interest lies), in consideration of the American Crystal Sugar Company entering into a contract with

for the raising of sugar beets on said land, hereby waives the priority of any interest or lien.....may have on the crop

of beets to be raised in 1938 upon the lands described in the contract in favor of lien and claim of the American Crystal Sugar Company, so far as said Company's lien on sugar beets grown on said premises is concerned, for its claim for sugar beet seed and advances for fertilizer, insecticides, machinery, labor, and for equipment and advances for any other purpose in connection with the production and handling of the sugar beet crop as provided in the beet contract, and agrees that the Company's lien shall be superior and prior to the undersigned's interest in or lien on said crop.

(Signature)..... as..... (Owner, Mortgagee, Etc.)

Witness to above: " " " " " "

Subscribed and sworn to before me by the said this..... day of....., 193.....

Notary Public. My Commission Expires....., 193.....

The Within Described Lands Owned by..... Contract No..... Acres..... Width..... Acreage Adjustment: Applied..... Allotted..... Base..... For..... Grover..... Post Office..... Loading Station..... County..... Beet Field: N..... S..... E..... W..... Seed Wanted..... Fertilizer Wanted..... Ship to..... LOCATION OF BEET FIELD

Land plowed in..... of 193..... WAIVER OF LANDLORD'S LIEN The undersigned, the owner of the land described in the within contract, in consideration of the American Crystal Sugar Company entering into the same with the party of the first part therein described as "Grower," and which contract, the undersigned acknowledges to have read in full, does hereby waive any and all lien or interest, which he has by statute or contract, or otherwise, in and to all beets to be grown on said lands by said Grower, who is a tenant of the undersigned, in so far as shall be necessary to give said American Crystal Sugar Company all the benefits and rights given to it under said contract, including but not limiting such rights to the right of said American Crystal Sugar Company to deduct from the proceeds of said beets any and all sums authorized by said contract to be deducted by it, and the undersigned does hereby consent and agree that the rights of said Company under said contract shall be superior to any and all lien or interest of the undersigned upon said beets, or the proceeds thereof.

.....Owner RECORDERS OFFICE State County Filed for record on the.....day of..... A. D., 193..... o'clock M. and filed in file.....as document No..... Recorder.

Released this.....day of....., 193..... Recorder.

Contract No..... Acres..... Width..... Acreage Adjustment: Applied..... Allotted..... Base..... For..... Grover..... Post Office..... Loading Station..... County..... Beet Field: N..... S..... E..... W..... Seed Wanted..... Fertilizer Wanted..... Ship to..... LOCATION OF BEET FIELD

Location to be planted indicated by (X) Exact description of land to be planted under this contract, viz: Quarter of.....Quarter, Sec..... Twp.....Range..... Quarter of.....Quarter, Sec..... Twp.....Range..... I hereby certify the above description is correct.

.....Grower. Witness:.....Fieldman. GROWER'S STATEMENT CONCERNING MORTGAGES

I, (or) we have given a chattel mortgage on the crop of beets grown under the within contract to..... P. O.....for \$.....

P. O.....for \$..... There is no chattel mortgage on the crop of beets grown under the within contract.

Witness:.....Grower. Date....., 193..... Fieldman.

MEMORANDUM OF AGREEMENT
BETWEEN

AND

GROWER

THE GREAT WESTERN SUGAR COMPANY

FACTORY

Executed the.....day of....., 1938.

The parties hereto mutually agree as follows, to-wit:

1. The Grower agrees to prepare the land for, plant, block, thin, cultivate, irrigate, harvest, and deliver during the season 1938 in compliance with the directions of The Great Western Sugar Company, hereinafter called The Company, as may be given from time to time,.....acres of sugar beets on the following described land, to-wit:.....

quarter, Section....., Township....., Range....., County, Colorado, but in no event shall The Company be held liable in damages for any failure or partial failure of crop or any injury or damage to beets. The acreage of beets herein contracted for is expressly subject to any adjustment deemed proper by The Company on account of any allotment or quota imposed upon or applicable to The Grower and/or The Company in respect to production of beets and/or processing, shipment or sale of beet sugar, by virtue of any law, governmental regulation or order; and this contract shall obligate The Grower to grow and The Company to buy only such acreage of beets as adjusted.

2. That the seed used shall be only that furnished by The Company, for which The Grower shall pay fourteen cents (14¢) per pound, and not less than twenty (20) pounds per acre shall be planted. Seed bed must be approved by the duly authorized agents or field men of The Company, before the seed is planted.

3. The Grower agrees that all beets grown by him will be harvested and delivered to The Company as and when directed, at the factory, or in cars at designated receiving stations of The Company; provided that in the event that any portion of the beets grown under this contract shall not by the 8th day of October of said year be ordered delivered by The Company, then in such case it shall be the duty of The Grower promptly to commence and proceed with the harvesting and delivery of such beets as come within the contract requirements after the said 8th day of October without further notice from The Company, and to complete the delivery of all of said beets on or before the first day of December of said year.

4. The Grower further agrees that all beets grown and delivered by him shall be properly topped, that is to say, by cutting off the tops squarely just below the crown at the base of the bottom leaf mark in case of medium or small sized beets, and by trimming up the crown of larger sized beets from the base of such bottom leaf mark, and shall be free from dirt, stones, trash, and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare, and that he will protect the beets from sun or frost after removal from the ground. A distinct trace of leaf scar is to be left after top tare is taken. The Grower further agrees that unless given permission by The Company, he will not harvest any beets grown hereunder until the full period of 15 days has elapsed after completion of the last irrigation. The Company has the option of rejecting any diseased, frozen or damaged beets, beets of less than twelve per cent (12%) sugar or less than eighty per cent (80%) purity, or beets that are not suitable for the manufacture of sugar.

5. All beets grown under this contract and delivered to factories or designated receiving stations, in good condition, in accordance with the terms of this contract, will be paid for by The Company on the following basis:

The price per ton (2,000 lbs.) of beets delivered hereunder to The Company shall be determined upon the average net return per one hundred (100) pounds of sugar received by The Company from sugar manufactured at all factories of The Company located within the States of Colorado and Nebraska, and at Wheatland, Wyoming, and sold by The Company during the period commencing October 1, 1938, and ending September 30, 1939, and also upon the average per cent sugar in all beets of the 1938 crop grown and delivered by The Grower to The Company under this contract, in accordance with the following schedule:

Average Net Return per 100 Pounds of Sugar	AVERAGE PER CENT. SUGAR IN BEETS									
	18.5	18.0	17.5	17.0	16.5	16.0	15.5	15.0	14.5	14.0
\$6.00	\$10.37	\$10.07	\$9.78	\$9.43	\$9.13	\$8.83	\$8.55	\$8.27	\$7.99	\$7.69
5.75	9.97	9.68	9.40	9.07	8.78	8.49	8.22	7.95	7.68	7.39
5.50	9.57	9.29	9.02	8.71	8.43	8.15	7.89	7.63	7.37	7.09
5.25	9.17	8.90	8.64	8.35	8.08	7.81	7.56	7.31	7.06	6.79
5.00	8.77	8.51	8.26	7.99	7.73	7.47	7.23	6.99	6.75	6.49
4.75	8.37	8.12	7.88	7.63	7.38	7.13	6.90	6.67	6.44	6.19
4.50	7.97	7.74	7.51	7.28	7.06	6.83	6.62	6.40	6.19	5.98
4.25	7.57	7.36	7.14	6.93	6.73	6.51	6.31	6.11	5.91	5.72
4.00	7.17	6.97	6.78	6.58	6.39	6.20	6.01	5.82	5.63	5.45
3.75	6.77	6.58	6.40	6.21	6.03	5.85	5.67	5.49	5.31	5.14
3.50	6.37	6.19	6.02	5.84	5.67	5.49	5.32	5.15	4.98	4.81
3.25	5.97	5.80	5.64	5.47	5.31	5.15	4.99	4.83	4.67	4.51

Payment upon net return for sugar and/or sugar content intermediate to the net returns and sugar contents shown in the above schedule shall be determined in proportion within the intervals in which such intermediate net return or sugar content occurs. If the net return for sugar and/or sugar content is higher or lower than those shown in the foregoing schedule, payment shall be determined in proportion, using the immediately succeeding or preceding interval, as the case may be, as the basis for calculation. Provided, however, that if the net return for sugar is less than \$3.25 per 100 pounds, the price per ton of beets shall be the price determined as aforesaid, less a deduction of 1 per cent of such price for each 5 cents by which the net return per 100 pounds of sugar is less than \$3.25, with proportional deduction from such price for fractional part of 5 cents as aforesaid.

The net return on sugar sold as aforesaid during said period shall be determined by deducting from the gross sales price all such charges and expenditures as are regularly and customarily deducted from gross sales price of sugar, in accordance with The Company's system of accounting heretofore established, showing net receipts from sugar sold, after deducting also all excises, taxes and charges now or hereafter imposed directly or indirectly on, or with respect to, or arising out of, the manufacture, processing, production, ownership, possession, holding for sale, sale, marketing or shipment of such sugar or any part thereof, or on all or any part of the proceeds arising therefrom.

The average percent sugar in beets, upon which is also based the price per ton of beets purchased hereunder, shall be determined by dividing the total number of tons of sugar in all beets of the 1938 crop grown and delivered by The Grower under this contract, as determined in the factory beet laboratory, by the total number of tons of beets of said crop grown and delivered by The Grower under this contract.

6. An initial payment hereunder shall be made by The Company on or before the 15th day of November for beets delivered hereunder prior to the 1st day of November, and an initial payment shall be made on or before the 15th day of each calendar month thereafter for beets delivered hereunder during the previous calendar month, which shall be at the highest rate per ton that The Company may deem to be justified, taking into consideration anticipated returns from the sale of sugar, and sugar content of beets (as delivered hereunder or for any territory or for any group of its growers at the election of The Company). Further payments will be made by The Company from time to time in such amounts as The Company may deem to be justified by the aforesaid conditions, and the quantity of sugar sold. Final settlement for all beets delivered hereunder shall be made in accordance with the terms of paragraph 5 of this contract not later than October 25, 1939. Provided, however, that The Company shall be entitled to deduct from any moneys that may be due under this contract for beets delivered hereunder, any and all indebtedness whatsoever which may be owing at any time by The Grower to The Company. It is further agreed that The Company, unless notified in writing by The Grower prior to September 15, 1938, not to make such deduction, shall be entitled also, at the sole option and election of The Company, to deduct from any moneys coming due for beets delivered under this contract not to exceed the sum of two cents (2¢) per ton on all beets delivered by The Grower hereunder, and to pay such amount to The Mountain States Beet Growers Marketing Association for the use of said Association.

7. The sugar content and purity of the beets grown and/or delivered hereunder shall be determined by tests made in the factory beet laboratory of The Company at its own expense and all analyses made by The Company shall be accepted as final, it being understood, however, that The Grower shall have the privilege of selecting at his expense a check chemist, satisfactory to The Company, to check in the beet laboratory the tests made by the factory chemists. The Grower shall also have the privilege of selecting at his expense, a man of reliable character, satisfactory to The Company, to check the tares and weights of the beets grown under this contract, at receiving stations where such beets may be delivered.

8. It is further agreed that in the event of a shortage of cars after October 8th, causing serious delay to The Grower, said Grower shall be allowed to fork his beets into piles, providing he piles them eight (8) feet high, under the direction of The Company, at the receiving stations where dumps other than shovel platforms are established; and no loose dirt shall be removed from the wagon box or truck body until after having been weighed back. All wagon boxes and truck bodies used in delivering beets at receiving stations shall be constructed with tight hinges connecting the side boards with the box or body to prevent the spilling of any dirt when beets are being unloaded.

9. To ascertain the quality of said beets The Company shall have the privilege, at various times during the growing and harvesting season of causing the beets to be sampled and polarized.

10. The Grower covenants that he is qualified to execute and perform this contract, and agrees not to assign the same without written consent of The Company.

11. No agent of the Company is authorized to waive, change or modify any of the terms or provisions of this printed contract.

P. O. Address.....Grower

Receiving Station.....THE GREAT WESTERN SUGAR COMPANY,

Factory

By.....

1938

ORIGINAL

No.

Contracted Acres

Adjusted Acres

The Great Western Sugar Co.
(FACTORY)

Beet Contract

with

Grower

Grower

P. O. Address

Route

Box

Land Owner

P. O. Address

Route

Box

Agent

P. O. Address

Delivers at

Dump

Quarter

Sec. Twp. Range

Cash or Crop Rental?

FIELD RECORD

FIELD	1	2	3	4	5
ACRES					
FALL FLOWED					
SPRING OR FALL IRRIG.					
APPR. ACRES					
PREVIOUS CROP					
	1937	1936	1935	1934	
MANURED					
	YR.	YR.	YR.	YR.	YR.
PHOSPHATED					
	YR.	YR.	YR.	YR.	YR.

1938

HOLLY SUGAR CORPORATION

TRACY, ALVARADO AND HAMILTON CITY PLANTS

CONTRACT FOR SUGAR BEETS

1. THIS AGREEMENT, entered into this.....day of....., 193....., between
HOLLY SUGAR CORPORATION, hereinafter called the Corporation, and.....

....., County of.....

....., and State of California, hereinafter called the Grower:

WITNESSETH: That for and in consideration of the covenants hereinafter contained, it is mutually agreed as follows: That the Grower shall and will, in a farmerlike manner and in conformity with the directions of the Corporation, during the cropping season beginning November 1, 1937, and ending when the crop is harvested, not later than three days before the close of the Corporation's sugar making campaign in the year 1938, plant, replant, block, thin, cultivate, irrigate, harvest and deliver in good condition to said Corporation, at its beet sheds, located near either Tracy, Alvarado or Hamilton City, California, or aboard cars or other conveyances provided by the Corporation at the loading station designated below, acres of sugar beets grown from the seed furnished by the Corporation, said delivery to be made at such times and in such quantities and to such place or places as may be designated by the Corporation; the land upon which said beets are to be grown being described as follows:

and it is agreed that all sugar beets grown on the above described land shall be included under this contract;per cent of proceeds
of all net beets delivered hereunder to be paid as crop rental by the Corporation direct to.....

.....whose address is.....

The acreage of beets herein contracted for is expressly subject to any reduction in amount thereof, deemed proper by the Corporation or required by lawful authority on account of any allotment or quota imposed upon or applicable to the Grower and/or Corporation in respect to production and processing of beets and/or shipment or sale of beet sugar by virtue of any law, governmental regulation, or order; and this contract shall obligate the Grower to grow and the Corporation to buy only such reduced acreage of beets.

2. The seed to be used in growing said beets shall be furnished by the Corporation for the price of fourteen (14) cents per pound, which the Grower agrees to pay. Seed furnished by the Corporation shall not be planted upon any land not contracted to the Corporation. Any seed furnished by the Corporation and not planted shall be returned in good order to the Corporation, at the end of the planting season, and the Grower credited therefor. No credit will be given for seed not returned prior to July 1, 1938.

3. The Grower agrees that beets grown hereunder shall not be irrigated after July 15, 1938, except by written permission of the Corporation.

4. The Grower agrees that in harvesting the beets, they shall be properly trimmed (that is, cut squarely off) below the base of the bottom leaf, and delivered free from stones, trash or other foreign substances, and subject to proper deduction for tare. The Corporation has the option of rejecting any beets where the above-mentioned conditions have not been properly complied with, also any diseased or wilted beets, beets of less than 12% sugar, or less than 80% purity, or beets that are not suitable in the judgment of the Corporation for the manufacture of sugar, anything in this contract to the contrary notwithstanding.

5. All sound beets grown in accordance with and under this contract shall be bought by the Corporation and paid for by it according to the following terms and schedule of prices.

The price per ton (2,000 pounds) for beets delivered hereunder to the Corporation shall be determined upon the average net return (said net return being defined in paragraph 6 hereof) per one hundred pounds of sugar received by the Corporation from all sugar sold and delivered during the period of twelve months commencing August 1, 1938, and which has been produced at the Corporation's Tracy, Alvarado and Hamilton City factories, and based upon the Corporation's test of the sugar content of the individual grower's beets, in accordance with the following schedule:

Average Net Selling Price Received For Sugar Per 100 Pounds	12 %	13 %	14 %	15 %	16 %	17 %	18 %	19 %	20 %	21 %	22 %
\$3.25.....	\$3.08	\$3.40	\$3.73	\$4.07	\$4.42	\$4.75	\$5.03	\$5.31	\$5.66	\$5.94	\$6.22
3.50.....	3.32	3.66	4.02	4.38	4.76	5.12	5.42	5.72	6.09	6.39	6.70
3.75.....	3.61	3.97	4.37	4.78	5.17	5.55	5.89	6.21	6.62	6.94	7.28
4.00.....	3.93	4.35	4.76	5.19	5.65	6.07	6.42	6.78	7.22	7.58	7.95
4.25.....	4.27	4.71	5.17	5.62	6.13	6.57	6.97	7.34	7.84	8.21	8.61
4.50.....	4.61	5.07	5.58	6.07	6.61	7.09	7.52	7.91	8.44	8.85	9.28
4.75.....	4.84	5.33	5.86	6.38	6.95	7.45	7.90	8.32	8.88	9.31	9.76
5.00.....	5.08	5.59	6.15	6.69	7.29	7.82	8.29	8.73	9.31	9.77	10.24
5.25.....	5.32	5.85	6.44	7.01	7.63	8.19	8.68	9.14	9.75	10.22	10.72
5.50.....	5.55	6.12	6.72	7.32	7.97	8.55	9.06	9.55	10.18	10.68	11.20
5.75.....	5.79	6.38	7.01	7.63	8.31	8.92	9.45	9.96	10.62	11.14	11.68
6.00.....	6.03	6.64	7.30	7.95	8.65	9.28	9.84	10.36	11.05	11.59	12.15

Fractions of sugar prices and beet tests to be in the same relative proportion. If sugar prices or beet tests are higher or lower than shown in the foregoing schedule for the season 1938 the price to be paid for beets shall be increased or decreased in proportion to the immediately preceding price interval, provided always that if during the life of this contract the net return for sugar shall fall below \$3.25 per 100 pounds, in such event, the price per ton for beets herebefore fixed by the schedule shall be decreased in the proportion of one per cent for each five cents of decrease in the net return per 100 pounds of sugar below \$3.25.

Settlements will be made as follows:

For all beets delivered during any month, settlement will be due on the 15th of the succeeding month. All settlements will be made on due date or not later than ten days thereafter. The foregoing settlements will be made at as high an amount per ton as may be justified in the judgment of the Corporation based upon the Corporation's tests of the sugar content of the individual grower's beets and the Corporation's estimate of the net returns to be received by it from the sale of all sugar from its Tracy, Alvarado and Hamilton City factories during the twelve months period beginning August 1, 1938. Further settlements will be made on the aforesaid price of beets from time to time in such amounts as the Corporation may deem to be justified by market conditions and quantity of sugar sold. Final settlement for all beets delivered hereunder shall be made in accordance with this contract not later than August 31, 1939.

6. The net return of sugar sold as aforesaid shall be determined by a Certified Public Accountant, chosen by the Corporation (whose determinations shall be final) by deducting from the gross sales price all such charges and expenditures as are regularly and customarily deducted from the gross sales price of sugar, in accordance with the Corporation's system of accounting heretofore established, showing net receipts from sugar sold after deducting also all excise, sales and other taxes, if any, now or hereafter directly or indirectly imposed on the manufacture, processing, possession, holding for sale and/or sale of such sugar, or any part thereof.

7. The Corporation will pay all freight charges on beets loaded in cars or on barge where the Corporation operates a beet dump. In case beets grown under this contract are loaded into cars at a point where the Corporation does not operate a beet dump, the Corporation will pay the railroad freight charges for delivering to it such beets, provided cars are loaded to capacity. Any extra charge because of cars not being so loaded shall be charged to the Grower.

8. To ascertain the quality of the beets, the Corporation representatives shall have the privilege from time to time during the growing and harvesting season of entering the field and taking samples of the beets for testing purposes.

9. Any advances made to the Grower by the Corporation in the way of seed, cash, labor or otherwise, shall be considered as part payment for the crop of beets and the first lien thereon and the Corporation shall be entitled to deduct from initial payments due hereunder, and from any other amounts that may be due on said contract price, for beets delivered on this contract any and all indebtedness whatsoever, which may be owing at any time by the Grower to the Corporation. When any money has been advanced to Grower by the Corporation, the Corporation shall have the right to enter upon the lands covered by this contract and care for and harvest the beets, provided the Grower has not complied with instructions of the Corporation to care for or harvest said beets, and the cost thereof shall be charged by the Corporation to the Grower.

10. The growers may, at their own expense, have representatives (weighman, tareman and chemist) in scale house, tare room, and laboratory to check weights and work done, such representatives to be experienced in the line of work to be performed and satisfactory to both parties hereto.

11. Fire, strikes, accidents, acts of God and of the public enemy, or causes beyond the control of the parties which prevent the Grower from the performance of this contract or the Corporation from utilizing the beets contracted for in the manufacture of sugar therefrom at the Corporation's Tracy, Alvarado or Hamilton City plants, shall excuse the respective parties hereto from the performance of this contract.

12. It is further agreed that the Corporation, unless notified in writing by the Grower prior to July 1, 1938, not to make such deductions, shall be entitled, at the sole option and election of the Corporation, to deduct from any monies coming due for beets delivered under this contract, not to exceed the sum of two cents (2c) per ton on the Grower's share of beets delivered by the Grower hereunder, and to pay such amount to the Central California Beet Growers' Association, Ltd.

13. The Grower agrees not to assign this contract without the written consent of the Corporation.

14. No agent of the Corporation is authorized to make erasures, additions, or alterations of the printed terms of this contract.

15. This agreement shall be in duplicate, each of which shall be signed by both parties above named.

16. When signed by the Grower and the Manager or Chief Agriculturist of the Corporation, this agreement shall bind both the Grower, his heirs and legal representatives, and the Corporation, its successors and assigns.

Grower.....

Landowner.....
(To be signed by Landowner or Agent)

Grower.....

Grower's Address.....

Landowner's Address.....

HOLLY SUGAR CORPORATION

Loading Station.....

By.....

S' GAR BEET CONTRAC

BETWEEN

EXHIBIT 5-F**Grower**

AND

HOLLY SUGAR CORPORATION

FOR CROP SEASON OF

HARDIN PLANT**1938**

1. The Grower agrees to prepare land for, plant, block, thin, cultivate, irrigate, harvest and deliver during the season of 1938, in compliance with the direction of Holly Sugar Corporation, hereinafter called "the Corporation," as it may deem proper to give from time to

time, _____ acres of sugar beets, on the following described lands, to-wit: _____ quarter, Section _____, Township _____,

Range _____, County _____, _____ The Grower agrees that during the growing season he will not use more water than necessary to properly develop the plant.

The acreage of beets herein contracted for is expressly subject to any reduction in amount thereof deemed proper by the Corporation or required by lawful authority on account of any allotment or quota imposed upon or applicable to the Grower and/or the Corporation in respect to production of beets and/or processing, shipment or sale of beet sugar by virtue of any law, governmental regulation, or order; and this contract shall obligate the Grower to grow and the Corporation to buy only such reduced acreage of beets.

2. Seed will be furnished by the Corporation at fourteen cents (14¢) per pound; and quantity planted per acre shall be as directed by the Corporation, and no other seed shall be used. Any seed furnished by the Corporation and not planted shall be returned in good order to the Corporation at the end of the planting season and the Grower credited therefor.

3. The Grower agrees that all beets grown by him under this contract will be delivered to the Corporation in the factory sheds or aboard cars, as ordered by the Corporation, properly topped at the base of the bottom leaf, subject to proper deduction for tare, free from dirt, stones, trash or foreign substances liable to interfere with the work of the factory, and that he will protect the beets from sun and frost after removal from the ground. The Corporation has the option of rejecting any beets where the above-mentioned conditions have not been properly complied with, also any diseased, frozen or wilted beets, beets of less than 12% sugar or less than 80% purity or beets that are not suitable for the manufacture of sugar, anything in this contract to the contrary notwithstanding.

4. The Grower agrees to deliver beets grown by him under this contract, provided the contract shall then be in force, as and when directed by the Corporation until October 8, and thereafter the Grower shall deliver all unharvested beets as soon as possible without further notification, and agrees to complete the delivery on or before December 1, and the Corporation shall not be obligated to receive any beets after December 1.

5. All beets grown in accordance with and under this contract shall be bought by the Corporation and paid for by it according to the following terms and schedule of prices:

The price per net ton (2,000 pounds) for beets delivered hereunder to the Corporation shall be determined upon the average net return per one hundred pounds of sugar received by the Corporation from sugar manufactured at its Sheridan, Wyoming, and Hardin, Montana, factories, and sold by the Corporation during the period commencing October 1, 1938, and ending September 30, 1939, and also upon the average sugar content of all beets of the 1938 crop sliced by the Hardin factory of the Corporation, in accordance with the following table:

Average Net Price Received for Sugar Per 100 Pounds.	AVERAGE PER CENT SUGAR IN BEETS.							
	18.5	18.0	17.5	17.0	16.5	16.0	15.5	15.0
\$6.00.....	\$10.58	\$10.27	\$9.97	\$9.65	\$9.34	\$9.03	\$8.72	\$8.42
5.75.....	10.18	9.88	9.58	9.28	8.98	8.68	8.39	8.10
5.50.....	9.77	9.48	9.20	8.91	8.62	8.33	8.05	7.78
5.25.....	9.36	9.09	8.82	8.53	8.26	7.99	7.72	7.45
5.00.....	8.96	8.69	8.43	8.16	7.91	7.64	7.38	7.13
4.75.....	8.55	8.30	8.05	7.79	7.55	7.29	7.05	6.80
4.50.....	8.14	7.90	7.67	7.44	7.21	6.97	6.74	6.52
4.25.....	7.73	7.52	7.30	7.08	6.86	6.64	6.42	6.21
4.00.....	7.32	7.12	6.92	6.72	6.52	6.32	6.12	5.93
3.75.....	6.91	6.72	6.53	6.34	6.15	5.96	5.77	5.58
3.50.....	6.50	6.32	6.14	5.96	5.78	5.60	5.42	5.24
3.25.....	6.09	5.92	5.75	5.58	5.41	5.24	5.07	4.90

Fractions of sugar prices and beet tests to be in the same relative proportion. If sugar prices or beet tests are higher or lower than shown in the foregoing schedule for the season 1938, the price to be paid for beets shall be increased or decreased in proportion to the immediately preceding price interval, provided always that if during the life of this contract the net return for sugar shall fall below \$3.25 per 100 pounds, in such event, the price per ton for beets herebefore fixed by the schedule shall be decreased in the proportion of one per cent for each five cents of decrease in the net return per 100 pounds of sugar below \$3.25.

Settlements will be made as follows: For all beets delivered prior to November 1st, settlements will be made on the 15th of November. For all beets delivered during any month thereafter, settlements will be made on the 15th of the succeeding month. Settlements will be made on due date or not later than ten days thereafter. The foregoing settlements will be made at as high an amount per ton as may be justified in the judgment of the Corporation, based on the average factory test of cosettes, at the Hardin, Montana, factory of the Corporation, and the Corporation's estimate of the net returns to be received by it for the entire production of sugar at Sheridan, Wyoming, and Hardin, Montana, from the 1938 beet crop. Further settlements will be made on aforesaid price of beets from time to time, and in such amounts as the Corporation may deem to be justified by market conditions and quantity of sugar sold. Final settlements for all beets delivered hereunder shall be made in accordance with the terms of this contract not later than October 31, 1939.

6. Any advances made to the Grower by the Corporation in the way of seed, fertilizer, cash, labor or otherwise shall be considered as part payment for the crop of beets and be the first lien thereon, and the Corporation shall be entitled to deduct from initial payments due hereunder, and from any other amounts that may be due on said contract price for beets delivered on this contract, any and all indebtedness whatsoever which may be owing at any time by the Grower to the Corporation.

When any money has been advanced the Grower by the Corporation, the Corporation shall have the right to enter upon the lands covered by this contract and care for and harvest the beets, provided the Grower has not complied with instructions of the Corporation to care for or harvest said beets, and the cost thereof shall be charged by the Corporation to the Grower, and such cost may be deducted from the amount owing the Grower.

7. The net return for sugar sold as aforesaid shall be determined by a Certified Public Accountant, chosen by the Corporation (whose determinations shall be final) by deducting from the gross sales price all such charges and expenditures as are regularly and customarily deducted from the gross sales price of sugar, in accordance with the Corporation's system of accounting heretofore established, showing net receipts from sugar sold after deducting also all excise, sales and other taxes, if any, now or hereafter imposed directly or indirectly on the manufacture, processing, possession, holding for sale and/or sale of such sugar, or any part thereof, or on all or any part of the proceeds of such sale.

8. The sugar content of the beets grown hereunder shall be determined by taking the average of the tests made of all beets sliced in the factory of the Corporation, and will be ascertained and determined by tests made in the laboratory of the Corporation at its own expense; and all analyses made by the Corporation shall be accepted as final.

9. The Grower hereby agrees not to employ nor to suffer nor permit the employment by any person, directly or indirectly, in the production, cultivation, and/or harvesting of sugar beets on this farm, any child under the age of 14 years, except a member of his own immediate family, whether for gain to such child or any other person; and he agrees not to so employ or permit such employment of a child between the ages of fourteen and sixteen years, inclusive, except a member of his immediate family, for a longer period than eight hours each day.

10. The Growers may, at their own expense, have representatives (weighman, tareman and chemist) in the scale house, tarerom and laboratory to check weights and tests made, such representatives to be experienced in the line of work to be performed and satisfactory to the Corporation.

11. In the event of a shortage of cars after October 8 causing serious delay to the Grower, he shall be allowed to fork his beets into piles, provided he piles them 8 feet high under the direction of the Corporation and at receiving stations where large elevated or mechanical dumps are established, and further provided that no frozen or damaged beets shall be received for piling, and that no loose dirt shall be removed from the wagon or truck boxes (which must have dirt-tight bottoms and dirt-tight side hinges) until after having been weighed back.

12. To ascertain the quality of beets grown under this contract, the Corporation shall have the privilege at various times during the growing and harvesting season of sampling and polarizing them.

13. The Grower covenants that he is qualified to execute and perform this contract, and agrees not to assign the same without written consent of the Corporation.

14. In no event shall the Corporation be held liable in damages for failure, or partial failure, of crop or any injury or damage to beets.

15. Fire, strikes, accidents, acts of God and of the public enemy, or causes beyond the control of the parties which prevent the Grower from the performance of this contract, or the Corporation from utilizing the beets contracted for in the manufacture of sugar therefrom, at its plant at Hardin, Montana, shall excuse the respective parties hereto from the performance of this contract.

16. It is further agreed that the Corporation will pay all freight charges on beets, based on railroad weights, to and including a rate of \$1.00 per ton, and that the Grower will be charged with all freight in excess of that rate per ton for beets shipped to the Hardin, Montana, factory from stations where the rates are in excess of \$1.00 per ton.

17. It is further agreed that the Corporation, unless notified in writing by the Grower prior to October 1, 1938, not to make such deduction, shall be entitled, at the sole option and election of the Corporation, to deduct from any moneys coming due for beets delivered under this contract, not to exceed the sum of two cents (2¢) per ton on all beets delivered by the Grower hereunder, and to pay such amount to the Big Horn County Beet Growers' Association.

18. When signed by the Grower and the Manager or Chief Agriculturist of the Corporation, this agreement shall bind both the Grower, his heirs and legal representatives, and the Corporation, its successors and assigns.

19. No agent of the Corporation is authorized to change the provisions of this contract. The foregoing provisions of this agreement constitute the entire contract between the parties.

Dated _____

Grower _____

Owner of Land _____

Grower _____

Address _____

Address _____

Agent _____

Rental _____ Dump _____

Nationality _____ No. of _____
Labor Wanted _____ Acres _____

By _____

HOLLY SUGAR CORPORATION,

MICHIGAN SUGAR COMPANY

ALMA PLANT

SUGAR BEET CONTRACT Concerning Raising and Delivery of Sugar Beets for Campaign of 1938

WITNESSETH, That for and in consideration of the mutual covenants and payments hereinafter set forth, the respective parties hereto mutually undertake and agree as follows:

1. The Grower agrees to prepare land for, plant, block, thin, cultivate, harvest and deliver during the season of 1938.....acres of sugar beets, to be grown on land situated in Section....., Township of....., County of....., and State of Michigan.

2. Seed will be furnished by the Company and charged to this contract at the rate of fifteen cents per pound. The Grower agrees to use no seed other than that furnished by the Company; to plant at least fifteen pounds to the acre; and to plant no seed on land that contained a crop of beets during the previous year. The title to the seed and to the crop of beets, from the time when same begins to grow, shall be and remain in the Company. The Company will not give credit for any seed delivered to and not used by the Grower. The Grower agrees not to drag up nor destroy any planted seed nor any portion of the sugar beet crop, being grown under this contract, without first consulting the Company.

3. The Grower agrees that he will harvest and deliver to the Company all sugar beets grown by him under this contract, when and as directed, at the Company's Alma factory or in cars at designated receiving stations of the Company. The Grower further agrees that all beets grown by him shall be properly topped, that is to say, by cutting off the tops squarely at the base of the lowest leaf scar where a leaf has grown; that the beets will be fully protected from sun and frost after being pulled and topped; that the beets will be delivered free from foreign substances liable to interfere with factory operations; that no loose dirt will be removed from delivery vehicle until it has been weighed back, and that all beets shall be subject to deductions for dirt and improper topping.

4. The Grower also agrees that the entire cost of transportation to the Company's factory on the gross weight of all beets, whether shipped directly to the factory by him or delivered by him to receiving stations outside the factory yard, shall be paid by him, or if advanced by the Company, shall be charged to this contract and deducted from the first moneys due under the terms of this contract. In making any such advances or arranging for transportation, it is understood the Company is acting solely as agent for the Grower.

5. The Company has the privilege at any time during the growing and harvesting season to enter upon the land set forth for the purpose of determining the condition of the land and the quality and condition of the beets grown under this contract. At its option, the Company may refuse to pay for any diseased, frozen, damaged, or improperly topped beets; beets that contain less than 12% sugar; beets of less than 80% purity, or beets that the Company for any other reason may deem not suitable for the manufacture of sugar. In no event shall the Company be liable to the Grower for failure or partial failure of the crop, or for beets not harvested, or for beets not delivered to and accepted by the Company.

6. The Company agrees that all beets delivered and accepted under the terms of this contract shall be processed or converted into sugar, pulp and molasses and that such products shall be sold from time to time as the Company in its discretion may determine; but the Company shall not be liable in any way for any mistakes or errors of judgment in the manufacture or sale of sugar, pulp or molasses or other act in connection with this contract, nor for delays, non-performance or losses caused by strikes, fires, breakdown of plant, accidents, or other causes not commercially and practically controllable by it.

7. In case the Grower does not give the beets proper care, or fails to harvest and deliver the crop, then the Company shall have the right to enter upon the land described, and care for, cultivate, harvest, deliver, and retain the crop, and charge the expense thereof to this contract.

8. On account of all beets delivered and accepted in accordance with the terms of this contract, the Company will pay per net ton of beets delivered an amount equal to fifty per cent (50%) of the average "net proceeds" (as hereinafter defined) realized from the sale of sugar, pulp and molasses produced by the Company, from an average net ton of all beets received at its Alma Plant from the 1938 crop. However, in order to remove any question as to the Grower receiving a competitive price for beets from the 1938 crop, the Company further agrees that the said payment per net ton of beets delivered shall not be less than the amount per net ton of beets paid by the beet sugar plant operated at St. Louis, Michigan, to its Growers for the 1938 crop.

9. The Company agrees to pay the Grower, in addition to payments provided for in Paragraph Eight above, Fifty Cents (50c) per net ton of beets delivered, which have been pitted by the Grower on a written authorization signed by the Company's representative, and according to pitting regulations to be provided by the Company. Twenty-five Cents (25c) per ton of this allowance shall be borne by the Company, and the other Twenty-five Cents (25c) per ton shall be chargeable to all Growers delivering beets to the Company's Alma Plant pro rata on the basis of the number of tons delivered.

10. The "net proceeds" from the sale of said sugar, pulp and molasses, or any of them, shall be the amount received by the Company (less any differential collected for sugar packed in other than bulk bags of 100 pounds each) after deducting actual cost of outboard freight, brokerage, cash discount, insurance, credit insurance, storage, declines and allowances, advertising and all expenses accruing after the sugar has been bagged, properly chargeable to the marketing of sugar, pulp and molasses; deductions shall also be made for all taxes whatsoever imposed upon the processing, production, ownership, handling, possession, or sale of sugar, pulp and molasses, including any tax which is now or may hereafter be imposed by the United States or any other governmental authority or agency.

11. The net weight of beets, delivered by the Grower under this contract, shall be determined by the net tons registered on the records of the Company from the Grower's final certificates of sugar beet weight.

12. An initial payment hereunder shall be made by the Company December 15th, 1938, on account of all beets delivered up to and including November 30th, 1938, at the highest rate per ton that the Company may deem to be justifiable taking into consideration anticipated production and returns from the sale of said products. On account of beets delivered after November 30th, 1938, the Company shall likewise make an initial payment January 15th, 1939. The Company at its option may make any additional advance or advances from time to time in such amounts as it may deem justifiable prior to final settlement. Final settlement shall be made made within fifteen (15) days after all sugar, pulp and molasses made by the Company from the 1938 crop shall have been sold and paid for, but in the event all such products are not sold before September 1st, 1939, final settlement shall be made with the Grower September 15th, 1939, as if the products unsold September 1st, 1939, had been sold at the average "net proceeds" realized by the Company on the sale of such products up to and including August 31, 1939.

13. The Grower hereby authorizes and directs the Company to deduct from any moneys coming due on account of beets delivered under this contract a sum not to exceed three (3) cents per net ton, one (1) cent per ton to be paid to the Farmers & Manufacturers Beet Sugar Association to be expended in accordance with and under the direction

OVER)

of the grower members of the Board of Directors of the said Association in defraying the growers pro rata share of the expenses of the Farmers & Manufacturers Beet Sugar Association's activities in the growers behalf; and not to exceed two (2) cents per ton to be paid to the local Beet Growers Association having membership in the Farmers & Manufacturers Beet Sugar Association.

14. A firm of Certified Public Accountants, licensed to practice in the State of Michigan, shall be employed by the Company to examine its books, records and accounts and determine the "net proceeds" and the amount per ton payable to the Grower under the terms of this contract.

15. Any advances made on this contract in the way of seed, fertilizer, cash, labor, transportation costs or otherwise, with interest on cash advances, shall be a first charge against the proceeds of this contract.

16. The Grower represents that he is qualified to execute and perform this contract, and that no person other than a signer thereof has any right or interest in, or claim, or lien upon the proceeds of this contract.

17. The Grower has no interest in or title to the crop that can be sold or mortgaged. No sale, assignment, mortgage nor pledge of this contract or its proceeds shall be valid unless the Company consents thereto in writing and endorses its consent on this contract. Any sale, assignment, mortgage or pledge of this contract or its proceeds to which the Company gives its consent shall be subject and subordinate to the right and title of the Company.

18. This agreement is subject to any adjustment in acreage if and as required by the United States Secretary of Agriculture or any other governmental authority acting under authority of law.

19. No agent has any authority to change or alter the terms and conditions of this contract, and it shall not be valid unless signed by an officer of the Company or its Plant Field Manager.

Dated

(Signature of Grower)

MICHIGAN SUGAR COMPANY

By

(Post Office Address)

Contract No. Contracted Acres

Revised Acres

MICHIGAN SUGAR COMPANY

ALMA PLANT

1938 Sugar Beet Contract

WITH

(Fieldman will PRINT Grower's Name on this line)

P. O.

R. F. D. No.

County State

Sec. Twp.

Weight and Tare at

Lives, Miles N. E. S. W. from

Name and Addresses of Landlord and Tenant:

(Landlord)

(Address)

(Tenant)

(Address)

Pounds of Seed Wanted

Is Labor Wanted

Date

Fieldman

DUPLICATE ORIGINAL

CONTRACTED ACRES

UTAH-IDAHO SUGAR COMPANY SUGAR BEET CONTRACT IDAHO, 1938

AGREEMENT entered into in duplicate this _____ day of _____, 1938, between UTAH-IDAHO SUGAR COMPANY, a Utah Corporation, hereinafter called the COMPANY, and

of _____, County of _____, Idaho, hereinafter called the GROWER.
 For and in consideration of the covenants hereinafter set forth, the parties hereto respectively undertake and agree as follows, to-wit:

1. The GROWER shall grow, during the year 1938 from seed supplied by the COMPANY only _____ acres of sugar beets, and shall sell and deliver the entire crop therefrom to the COMPANY, and the COMPANY shall buy and pay for the same upon the terms and conditions hereinafter set forth, but in no event shall the COMPANY be held liable in damages for any failure or partial failure of crop, or any injury or damage to beets.

2. The GROWER shall prepare and cultivate all beet lands and harvest the beets thereon in a farmerlike manner, and shall deliver said beets with the tops squarely cut off at the base of the bottom leaf in the case of medium or small sized beets, and with the crown trimmed up at a 32 degree angle from the base of the bottom leaf in the case of beets having a diameter of four inches or more. A distinct evidence of leaf scar is to be left all around the beet when top tare is taken. All beets delivered hereunder shall be free from excess dirt, and all stones, trash and foreign substances liable to interfere with the work at the factory, and shall be subject to proper deductions for tare. The GROWER shall protect the beets from sun and frost after removal from the ground, and shall keep all livestock out of beet fields until after beets are harvested. The COMPANY shall furnish the beet seed necessary for the planting of said land at a cost to the GROWER of Fourteen Cents (14c) per pound, and not less than fifteen (15) pounds shall be planted to the acre. The seed furnished by the COMPANY shall not be planted upon land not contracted to the COMPANY.

3. The GROWER agrees to deliver all beets grown when and as directed by the COMPANY up to and including October 10, 1938. Thereafter, the GROWER shall deliver without further notification all previously unharvested beets, provided, however, that the COMPANY, at its option, may reject any beets not delivered by November 30, 1938, except those siloed and delivered as directed by the COMPANY.

4. All beets grown hereunder shall be delivered at the expense of the GROWER and in a manner and condition satisfactory to the COMPANY.

at its _____ factory,
 on cars at _____ receiving station,

or in piles eight feet high at the point of delivery designated herein under the direction of the COMPANY, and no loose dirt shall be removed from the wagon box or truck body until after having been weighed back. All wagon boxes and truck bodies used in delivering beets shall be constructed with tight bottoms and tight hinges connecting the side boards with the box or body to prevent the spilling of any dirt when the beets are being unloaded, but the COMPANY shall exercise reasonable diligence to prevent the co-mingling of dirt and trash spilled from one load with that from another.

5. The COMPANY has the option of rejecting any or all diseased, frozen, damaged or improperly topped beets, or beets testing less than 12% sugar, or less than 80% purity, or beets failing otherwise to meet the requirements of this contract.

6. The weight of the dirt and trash delivered with the beets shall be deducted in the customary manner. To ascertain the quality of said beets, the COMPANY at any time during the growing and harvesting season shall have the privilege of sampling and testing the beets.

7. The GROWER, at his own expense, may have representatives (weighmen, taremen and chemists) in scale house, tare room and laboratory to inspect weights and work done. Such representatives shall be experienced in the line of work to be performed and satisfactory to the COMPANY. The COMPANY shall furnish for the inspection of the GROWER a certified statement by a certified public accountant, not connected with the COMPANY, of the net receipts from sugar sold, in accordance with this contract.

8. All beets grown under this contract and delivered to the factory or designated "receiving station" in good condition in accordance with the terms of this contract will be paid for on the following basis:

The price per ton (2000 pounds) of beets shall be determined in accordance with the following schedule upon the average net return per one hundred (100) pounds of sugar received by the COMPANY from all sugar sold by it during the period commencing October 1, 1938 and ending September 30, 1939, which shall have been manufactured at factories of the COMPANY in Utah and Idaho, as well as upon the average sugar content of the 1938 crop sliced by the factories of the COMPANY located in Idaho. The net return on sugar sold as aforesaid during said period shall be determined by deducting from the gross sales price all such charges and expenditures as are regularly and customarily deducted from gross sale price of sugar, in accordance with the COMPANY'S system of accounting heretofore established, showing net receipts from sugar sold, and by deducting also all excise, sales, processing, and other taxes, if any, imposed on the manufacture or sale of such sugar.

Avg. % Sugar in Beets	AVERAGE NET RETURN FOR SUGAR PER ONE HUNDRED POUNDS								
	\$5.50	\$5.25	\$5.00	\$4.75	\$4.50	\$4.25	\$4.00	\$3.75	\$3.50
18.5	9.94	9.54	9.13	8.53	7.93	7.33	6.72	6.12	5.52
18.0	9.63	9.24	8.85	8.27	7.68	7.10	6.51	5.93	5.35
17.5	9.33	8.95	8.58	8.01	7.45	6.88	6.32	5.75	5.18
17.0	9.02	8.66	8.29	7.75	7.20	6.65	6.11	5.56	5.01
16.5	8.73	8.38	8.02	7.50	6.96	6.44	5.91	5.38	4.85
16.0	8.44	8.10	7.75	7.24	6.73	6.23	5.71	5.20	4.69
15.5	8.14	7.81	7.49	6.99	6.50	6.01	5.51	5.02	4.53

Payments upon intermediate sugar prices and sugar content, or sugar prices, or sugar content higher or lower than those shown in the foregoing schedule, shall be on the same proportionate basis.

An initial payment shall be made by the COMPANY on or before the fifteenth day of November, 1938, for beets delivered hereunder prior to the first day of November, and a like payment shall be made on or before the fifteenth day of each calendar month thereafter for beets delivered hereunder during the previous calendar month. The initial payment shall be at the highest rate per ton that the COMPANY may deem to be justified, taking into consideration anticipated returns from the sale of sugar and sugar content of beets. Further payments will be made by the COMPANY March 15th and June 15th, in such amounts as the COMPANY may deem to be justified by the aforesaid conditions and the quantity of sugar sold. Final settlement for beets delivered hereunder shall be made in accordance with the terms of this contract not later than October 20, 1939, provided, however, that the COMPANY shall be entitled to deduct from any moneys that may be due under this contract for beets delivered hereunder any and all indebtedness whatsoever which may be owing at any time by the GROWER to the COMPANY. It is further agreed that the COMPANY is authorized to deduct from any moneys owing for beets delivered under this contract the sum of two cents per ton as service charges for the Idaho Beet Growers Association, Inc., for the year 1938, and to pay such sum to said Association, unless the GROWER notifies the COMPANY in writing between the first and thirty-first days of August, 1938, both days inclusive, not to make such deduction.

9. Fire, strikes, accidents, acts of God and of the public enemy, or other causes beyond the control of the parties which prevent the GROWER from the performance of this contract, or the COMPANY from utilizing the beets contracted for in the manufacture of sugar therefrom, shall excuse the respective parties hereto from the performance of this contract.

10. No agent of the COMPANY is authorized to make any alterations, erasures, or additions to this printed form of contract.

11. This agreement shall bind both the GROWER, his heirs and legal representatives, and the COMPANY, its successors and assigns, and shall not be transferable by the GROWER without the written consent of the COMPANY, its successors and assigns.

By _____
 UTAH-IDAHO SUGAR COMPANY

Grower

Agent

Address

Grower

Address

TYPE OF LAND FOR 1938 BEETS

Acres in Farm
 Spring or Fall Plowed
 Potato Land
 Corn Land
 Alfalfa Land
 Stubble Land
 Summer Fallow
 Surfaced Worked Beet Land
 First Year Beet Land
 Second Year Beet Land
 Third Year Beet Land

 Fertilized.
 Tons Per Acre Acres
 Barn Yard Manure
 Lbs Per Acre
 Phosphate
 Phosphate Required lbs.
 Number of Tunnels Required

No. Contracted Acres

Revised Acres

Utah-Idaho Sugar Company

1938

Sugar Beet Contract

WITH

Grower

Post Office Address

Landowner

Post Office Address

Delivery Point

How Financed

Description

Is Grower Member of Beet Ass'n.?
 Is Landowner Member of Beet Ass'n.?

Rental Basis { Grower
 { Landowner

Date 1938

DISTRICT NO.

SEC. TWP. RGE.

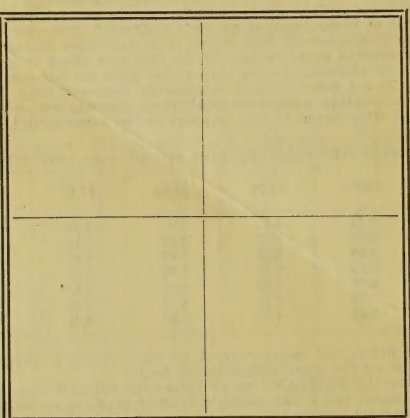


EXHIBIT 6

CHANGES IN CONTRACTUAL PRICE PER TON OF SUGAR BEETS 1/
1933 and 1938

Net Return Per 100 Pounds of Sugar									
Percent Sucrose	\$3.25		\$3.50		\$3.75				
	1933 Price Per Ton	1938 Price Per Ton	1933 Price Per Ton	1938 Price Per Ton	1933 Price Per Ton	1938 Price Per Ton			
18.0	\$4.77	\$4.77	\$5.13	\$5.35	\$5.50	\$5.93	Contract used extensively in Utah and Idaho. <u>2/</u> (Processor pays freight on beets. Cossette sucrose test used as basis of settlement).		
17.0	4.45	4.46	4.79	5.01	5.13	5.56			
16.0	4.13	4.18	4.45	4.69	4.77	5.20			
15.0	3.83	3.90	4.12	4.37	4.41	4.84			
14.0	3.53	3.62	3.79	4.05	4.05	4.48			
18.0	4.83	5.02	5.21	5.47	5.59	5.90	Contract used extensively in northern Colorado and Nebraska. (Processor pays freight on beets. Individual sucrose test used as basis of settlement).		
17.0	4.53	4.73	4.89	5.14	5.25	5.56			
16.0	4.22	4.41	4.56	4.80	4.90	5.19			
15.0	3.91	4.13	4.23	4.50	4.54	4.85			
14.0	3.63	3.82	3.93	4.15	4.21	4.49			
18.0	4.80	5.03	5.17	5.42	5.54	5.89	Contract used extensively in northern California. (Processor pays freight on beets. Individual sucrose test used as basis of settlement).		
17.0	4.53	4.75	4.88	5.12	5.23	5.56			
16.0	4.26	4.47	4.59	4.82	4.92	5.23			
15.0	4.00	4.19	4.31	4.52	4.61	4.91			
14.0	3.73	3.91	4.02	4.21	4.31	4.58			
18.0	5.26	5.26	5.67	5.67	6.16	6.16	Contract used extensively in southern California. (Processor pays freight on beets. Individual sucrose test used as basis for settlement).		
17.0	4.97	4.97	5.35	5.35	5.81	5.81			
16.0	4.68	4.68	5.04	5.04	5.47	5.47			
15.0	4.39	4.39	4.72	4.72	5.13	5.13			
14.0	4.09	4.09	4.41	4.41	4.79	4.79			
18.0	5.00	5.14	5.40	5.59	5.80	6.04	Contract used extensively in eastern Montana. (Processor pays freight on beets. Cossette sucrose test used as basis of settlement.)		
17.0	4.70	4.83	5.08	5.25	5.45	5.68			
16.0	4.39	4.52	4.75	4.91	5.10	5.31			
15.0	4.05	4.21	4.39	4.58	4.74	4.95			
14.0	3.71	3.90	4.03	4.25	4.38	4.59			
18.0	4.68	4.44	5.04	4.99	5.40	5.54	Contract used extensively in Minnesota and Iowa. (Processor pays freight on beets. Cossette sucrose test used as basis of settlement.)		
17.0	4.42	4.19	4.76	4.71	5.10	5.23			
16.0	4.16	3.94	4.48	4.43	4.80	4.92			
15.0	3.90	3.69	4.20	4.15	4.50	4.61			
14.0	3.64	3.41	3.92	3.85	4.20	4.29			

- 1/ In the states of Michigan, Ohio, Indiana, Illinois and Wisconsin the so-called 50-50 contract has been in use during the period indicated with only minor modifications. Under the so-called 50-50 agreement the grower pays freight on beets and receives a price equal to one-half of the net proceeds derived from the sale of the products produced from a ton of sugar beets.
- 2/ In addition a number of 50-50 contracts similar to those used in the eastern states are employed.

Note: In addition to being affected by the contractual changes shown above, the distribution of income from the sale of beet sugar has been altered because of the changes resulting from the excise tax and conditional payment structure now in effect.

Contract was made with the State of Texas in 1904.
The contract was made with the State of Texas in 1904.
The contract was made with the State of Texas in 1904.

Contract was made with the State of Texas in 1904.
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